FULL POLICY PROPOSAL

AIP+TRE

ACTIVE INVESTOR PLUS VISA
+ TRANSITIONAL RESIDENCY EXTENSION

AIP offers world class backup-plan visas to optionality seekers.

AIP+TRE converts them to tax-paying full-time residents.

Prepared by Erik Townsend

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Executive Summary

Prepared by Erik Townsend (erik@macrovoices.com)

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AIP+TRE — AT A GLANCE	
WHAT NEW ZEALAND RECEIVES	
Crown revenue at maturity	NZD 4 billion+ annually (4,000 participants — fewer than half of Dubai's 2025 intake; NZD 12.5 billion at 2% market penetration)
Capital into NZ economy	NZD 96–300 billion over 10 years (mandated + QGI-incentivised)
NZ-sourced income	Taxed at FULL standard NZ rates — zero special treatment
WHAT PARTICIPANTS COMMIT TO NEW ZEALAND	
Annual contribution	NZD 600,000 at launch → NZD 1,000,000+ at maturity (grandfathered at election rate)
Mandatory NZ investment	NZD 5 million in NZ growth assets (from first repricing; additional to AIP visa investment)
Voluntary investment incentive (QGI)	Scales to NZD 100 million at maturity — each tranche reduces contribution by 10%. At full deployment, participant pays full NZ income tax on domestic returns instead
Residency	1,440 cumulative days over 16 years (~90/yr average, with carry-forward; fully compliant with OECD guidance)
PROGRAMME FEATURES — MOST ARE UNIQUE TO AIP+TRE	
US Track (FTC-compatible)	Deemed income formula designed for NZ's largest source cohort (40% of AIP applicants). Americans can participate without forfeiting US Foreign Tax Credits.
Statutory grandfathering	Unconditional — all terms locked at election for full 16-year term by Act of Parliament. Converts policy into contract.
OECD compatible	Extends NZ's existing transitional residency — already OECD-blessed. Italy and Switzerland already operate equivalent programmes.
Not an immigration pathway	TRE is tax architecture only — AIP handles who enters New Zealand. AIP's screening (already adopted and tested) is the safeguard.

WHY NOW: 142,000 millionaires relocated internationally in 2025. 165,000 projected for 2026. Dubai struck by Iran. UK non-dom abolished. Australia SIV killed by politics. Singapore's GIP programme at capacity. ***The window of opportunity for New Zealand is RIGHT NOW and will close soon.***

AIP: Already the World's Best Golden Visa Programme

Under Immigration Minister Erica Stanford's leadership, the Active Investor Plus visa (AIP) has become, by any objective measure, the best-designed golden visa programme on the planet. It was built with genuine sophistication for the market that existed when it was conceived: wealthy international families seeking backup-plan residency optionality in a safe, stable, English-speaking jurisdiction. It has attracted **1,833 applicants** with **NZD 3.39 billion** in committed investment capital into a government pipeline that no other programme of its kind can match.

But the world has changed dramatically since AIP was designed. Where it was once assumed that persuading ultra-high-net-worth families to leave their birth countries and move to the end of the earth was an unrealistic goal, the geopolitical upheaval of 2022–2026 has made that a generational opportunity. The families AIP was designed to reach are no longer content with a backup plan. They want a stable permanent home. And they're ready to relocate internationally to get one. Thanks to AIP's architects, the pipeline is already built. What is missing is the post-transitional tax architecture that converts that pipeline of optionality seekers into committed, tax-paying, permanently settled New Zealand residents.

1,833	NZD 3.39B	NZD 0
AIP applicants currently in government pipeline	*committed investment capital already in pipeline*	*Crown revenue from that cohort's foreign income*
INZ data, Feb 2026	*INZ data*	*Treasury OIA-20250655*

AIP gets wealthy households to New Zealand's front door. **But that door is locked shut by our post-transitional tax settings.** Every major New Zealand advisory firm—KPMG, Deloitte, Simpson Grierson, Russell McVeagh, MinterEllison, PwC, EY, BDO, CAANZ, and the NZ Law Society—gives the same advice to ultra-high net worth clients: do **not** establish tax residency in New Zealand, or plan to leave before Month 49. This is not one firm's opinion. It is the unanimous professional consensus of every major advisory practice in the country.

AIP gets wealthy households to New Zealand's front door. But that door is locked shut by our tax settings, which rule us out as a permanent relocation destination for ultra-high net worth families.

TRE unlocks the door and puts up a welcome sign for wealth migrants.

Part One of the full proposal document sets out the full evidentiary base for the global wealth migration: the source-country breakdown, the composition of the migrating population (Section 1.3), the American dimension in detail (Section 1.6), and the two-stage decision process by which UHNWI households choose a jurisdiction—and the specific stage at which New Zealand is currently eliminated (Section 1.2).

The Great Wealth Migration

For the first time in history, the world's wealthiest families are actively leaving their birth countries.

This is not a cyclical phenomenon. It is a structural transformation of the global wealth map driven by profound geopolitical upheaval: the Ukraine invasion, the Gaza conflict, Iran's strikes on the UAE, the UK's abolition of non-dom status, European instability, and Asian uncertainty. Henley & Partners projects 165,000 international millionaire relocations in 2026. But New Zealand isn't on the short list.

142,000	626,619	USD 90.5T
Millionaires relocated internationally in 2025 75% above 2022 levels	*Ultra-high-net-worth individuals globally (USD 30M+ assets) in unprecedented motion*	*Total investable wealth held by 23.4M HNWIs making domicile decisions right now*
Henley & Partners	*Knight Frank 2025*	*Capgemini 2025*

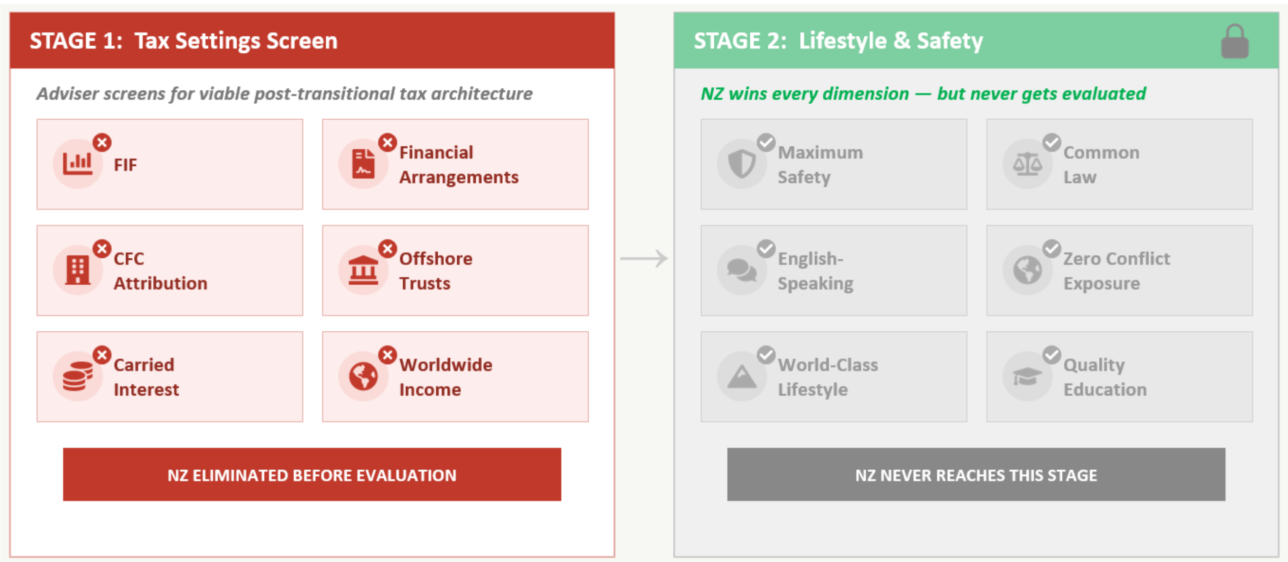
More than 26,000 millionaires moved to Dubai in the three years to 2025, including 9,800 in 2025 alone. They chose Dubai for its tax settings. Then, on 28 February 2026, Iran struck the United Arab Emirates with 167 ballistic missiles and over 500 drones. The Burj Al Arab was damaged. Every one of those households is now reconsidering. Where they relocate next is being decided now, this quarter. Meanwhile, in London, 57,500 former non-domiciled residents are inside the UK's four-year Foreign Income and Gains countdown, choosing a new permanent home within 24–36 months.

One data point deserves specific ministerial attention: Germany has emerged as a top-four source country for AIP applications—without any New Zealand marketing effort there, without a cultural or language connection, and without any historical Commonwealth tie. Millionaire enquiries from Germany for alternative residence visas rose 114% between 2023 and 2024. In 2025, Germany recorded its first-ever net loss of millionaires. These households found AIP—a testament to the programme's international visibility. But they have not found a post-transitional tax architecture that makes permanent settlement rational. AIP gave them the ***option*** to come to New Zealand despite our unwelcoming tax settings. TRE converts that option into an immediate and compelling ***reason*** to make New Zealand their permanent home.

> *New Zealand could be the world's premier wealth migration destination. Instead, our tax settings rule ourselves out from consideration entirely.*
>
> *Every major NZ advisory firm gives the same advice: Plan to leave NZ before Month 49.*

Why New Zealand Never Reaches the Shortlist

UHNWI households make domicile decisions in two stages. New Zealand fails the first and never reaches the second:



> *TRE replaces six compliance tracks with one annual payment. NZ enters Stage 2. **NZ wins**.*

Part Two assembles the complete evidence base. Section 2.3 presents the full table of on-the-record statements from every major NZ advisory firm—with direct quotations, dates, and institutional attribution—documenting the Month 49 departure pattern. Section 2.6 reviews the academic tax elasticity literature, including the finding (Akcigit, Baslandze & Stantcheva, American Economic Review, 2016) that foreign high-skill talent is thirty times more responsive to tax regimes than equivalent domestic talent.

FIF Reform: Welcome, But Insufficient

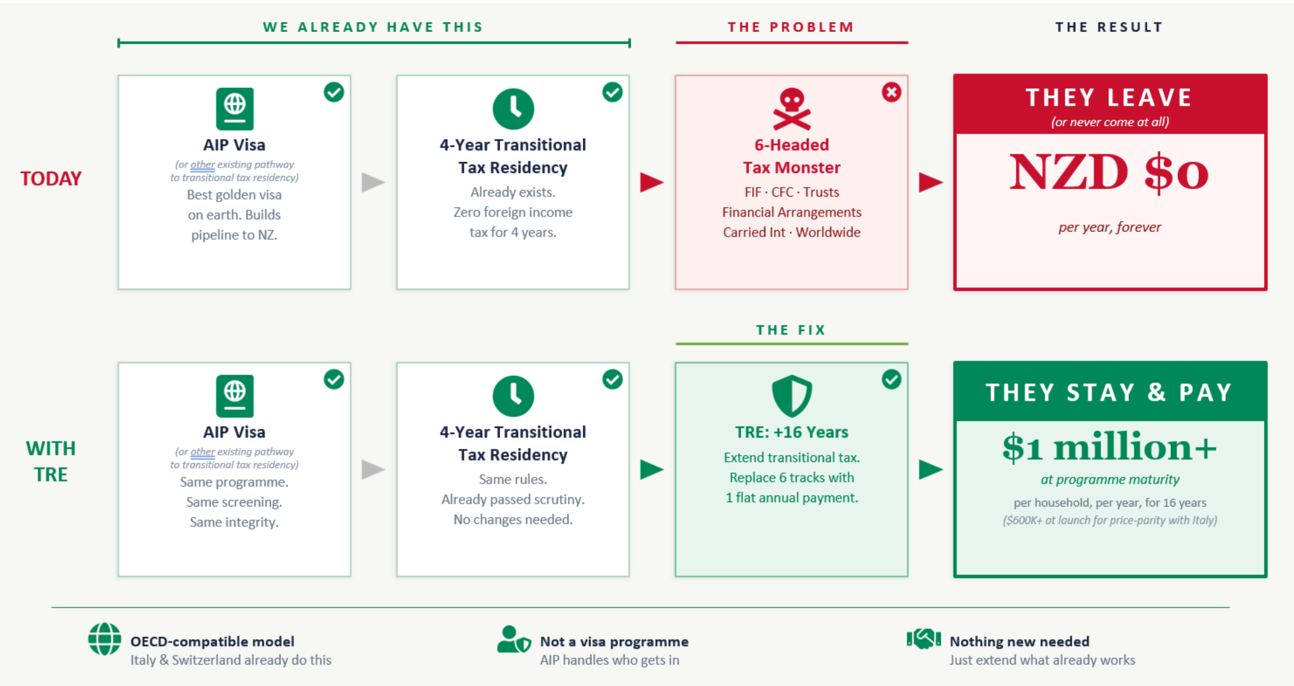
The Government's ongoing reform of the Foreign Investment Fund (FIF) regime is welcome and should be enacted. But for the ultra-high-net-worth household whose wealth spans private equity, offshore trusts, derivatives, and operating businesses across multiple jurisdictions, FIF reform repairs one wall of a house that needs a new foundation.

The day after FIF reform becomes law, the advice of the international wealth advisory community will be unchanged: **UHNWI households should not come to New Zealand at all, or they should plan to leave before Month 49 if they do.** FIF is one of six parallel compliance tracks. Fixing one does not fix the other five.

Introducing AIP+TRE: We Already Have the Solution

We just need to extend it.

The Transitional Residency Extension (TRE) is not a novel policy invention. New Zealand's transitional tax residency has been part of our tax law for twenty years (effective 1 April 2006). It is already OECD-blessed—the OECD's own June 2024 policy brief (Migration Policy Debates #35) catalogued New Zealand's transitional residence alongside Italy, Denmark, and Korea as a legitimate policy tool. **TRE simply proposes charging a flat fee and requiring larger investment in our productive economy to extend that existing mechanism beyond its current four-year window.** This is a very small settings adjustment to an existing, proven, OECD-compatible policy—not a new programme. But that very small settings change will cause a massive change in behavior of the world's wealthiest families, moving New Zealand from "ruled out from consideration due to untenable tax settings" to "top of the short-list".



Six Problems. One Solution.

TRE extends our current transitional tax residency system in exchange for a single annual flat-tax payment.

TRE does not ask participants to calculate their foreign-sourced income and apply a preferential rate. It removes the obligation to calculate altogether—for foreign-sourced income only. **Every dollar of New Zealand-sourced income is still taxed at full prevailing rates.** All six parallel compliance tracks are replaced with a single known annual payment, fixed by statute for 16 years.

FIF (Listed Equities)
5% deemed income on unrealised gains

Financial Arrangements
Accruals-basis tax on derivatives & options

CFC Attribution
NZ tax on retained earnings of offshore companies

Offshore Trusts
Complex attribution of trust distributions

Carried Interest
Timing mismatches on PE fund realisations

Worldwide Income
Full marginal rates on all other foreign income

→

TRE:

ONE

annual flat contribution

NZD 1 million+/yr

(NZD 600K+ at launch for price parity with Italy)

discharges ALL **foreign-sourced** income obligations

Four Design Features Define the Regime

Statutory grandfathering. No sophisticated UHNWI household will commit to a 16-year residency decision on the basis of policy revocable by a future Budget. Grandfathering must be enshrined in statute—explicit, unconditional, and non-retrospective. Grandfathering converts a policy into a contract.

Calibrated launch pricing with pre-announced escalation. TRE launches at NZD 600,000 per year—near parity with Italy's €300,000—with no mandatory qualifying investment at launch. Pre-announced escalation to NZD 750,000–800,000 at first repricing introduces a NZD 5 million qualifying investment for new elections only; existing participants are grandfathered. The pre-announcement creates an incentive to elect at launch pricing, and it signals to the market that the programme is designed for growth.

The Qualifying Growth Investment incentive (QGI). Participants may voluntarily deploy additional capital into qualifying New Zealand productive assets. For every additional investment tranche, the participant's annual contribution reduces by 10%. A participant who invests NZD 100 million and earns a 25% return pays zero TRE contribution but generates NZD 7–10 million annually in standard New Zealand income tax on the domestic returns alone—considerably more than the flat contribution ever asks. The QGI converts TRE from a revenue instrument into a capital deployment engine.

The US Track. Americans constitute 40% of AIP applicants. The TRE US Track produces a substantially equivalent outcome via a Foreign Tax Credit-compatible deemed income formula. FTC compatibility is not peripheral. It is central to the programme's largest source cohort.

The integrity architecture ensures the programme cannot be exploited: a qualifying offshore capital rule prevents round-tripping of NZ-origin wealth through offshore structures; source-of-funds verification mirrors existing AML/CFT standards; and clearly defined lapse conditions protect the Crown's interest without creating the uncertainty that discourages participation.

Part Three contains the full TRE design, including the complete coverage table showing how the flat contribution discharges all six parallel compliance tracks simultaneously (Section 3.2), the residency design that no comparable programme offers (Section 3.5), the OECD compliance analysis (Section 3.6), and the analysis of why targeted patches cannot achieve what architectural replacement does (Section 3.9). Annex A is a complete, legislation-ready terms sheet. Annex B contains the full US Track FTC compatibility analysis under IRC §901.

The Choice Is Not Flat Tax vs Full Tax

It is flat tax vs zero.

The objection: "Surely the wealthiest can afford to pay more." It is a reasonable intuition applied to the wrong question. The choice is not what rate to impose on UHNWI households that stay despite the current architecture. It is what to do about the vastly larger cohort that never comes at all—or that comes and leaves before Month 49—contributing nothing.

The United Kingdom ran this experiment at scale. When the UK abolished non-dom status and moved to a four-year Foreign Income and Gains window—structurally identical to New Zealand's current settings—16,500 millionaires (22% of the pool) left within nine months. The UK effectively demonstrated what New Zealand's present architecture produces: zero.

STATUS QUO	TRANSITIONAL RESIDENCY EXTENSION
NZD 0	**NZD 1M+**
Annual contribution of every UHNWI household that departed at Month 49	Per household per year — for 16 years. Plus full NZ tax on all domestic income.

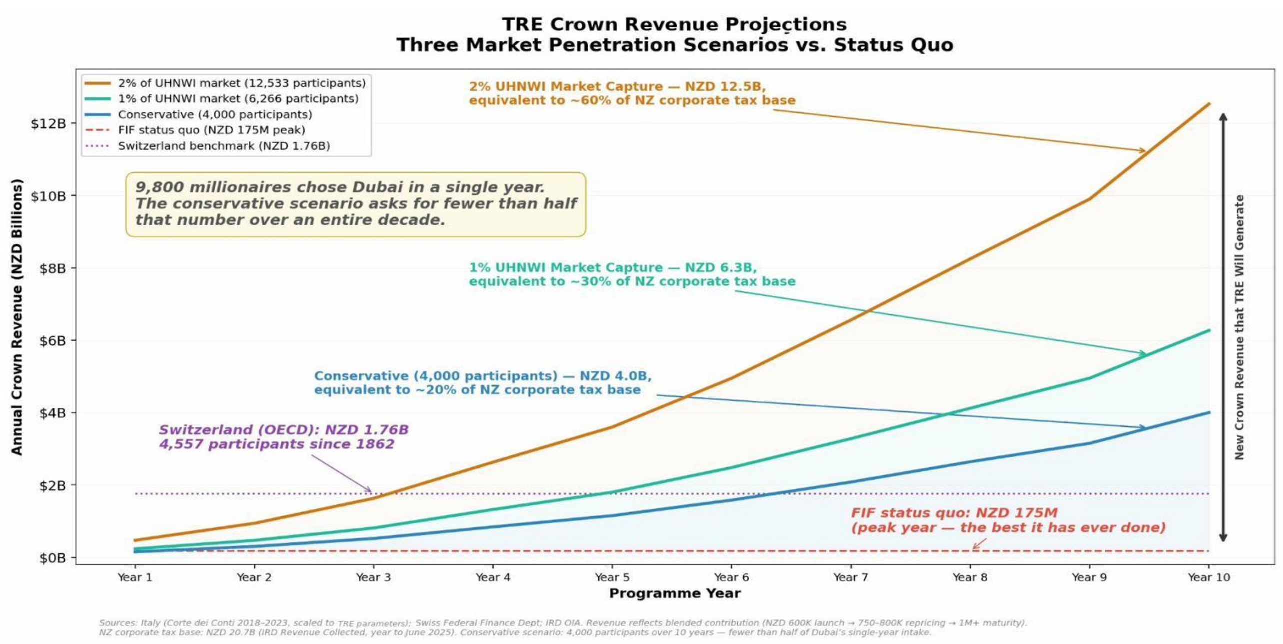
Historic Economic Opportunity for New Zealand

TRE converts global wealth migration into Crown revenue, capital investment, and tens of thousands of new jobs—enough to reverse the "brain drain".

Scenario	Participants	Annual Revenue	Total Investment (10 yrs)
Conservative	4,000 over 10 yrs	NZD 4B+	NZD 96B
1% of UHNWI market	6,266 over 10 yrs	NZD 6.3B+	NZD 150B
2% of UHNWI market	12,533 over 10 yrs	NZD 12.5B+	NZD 300B

Not a single Kiwi's tax changes. Every dollar is revenue that does not currently exist. The conservative scenario asks for fewer than half the number of millionaires who chose Dubai in a single year (9,800 in 2025), spread across an entire decade.

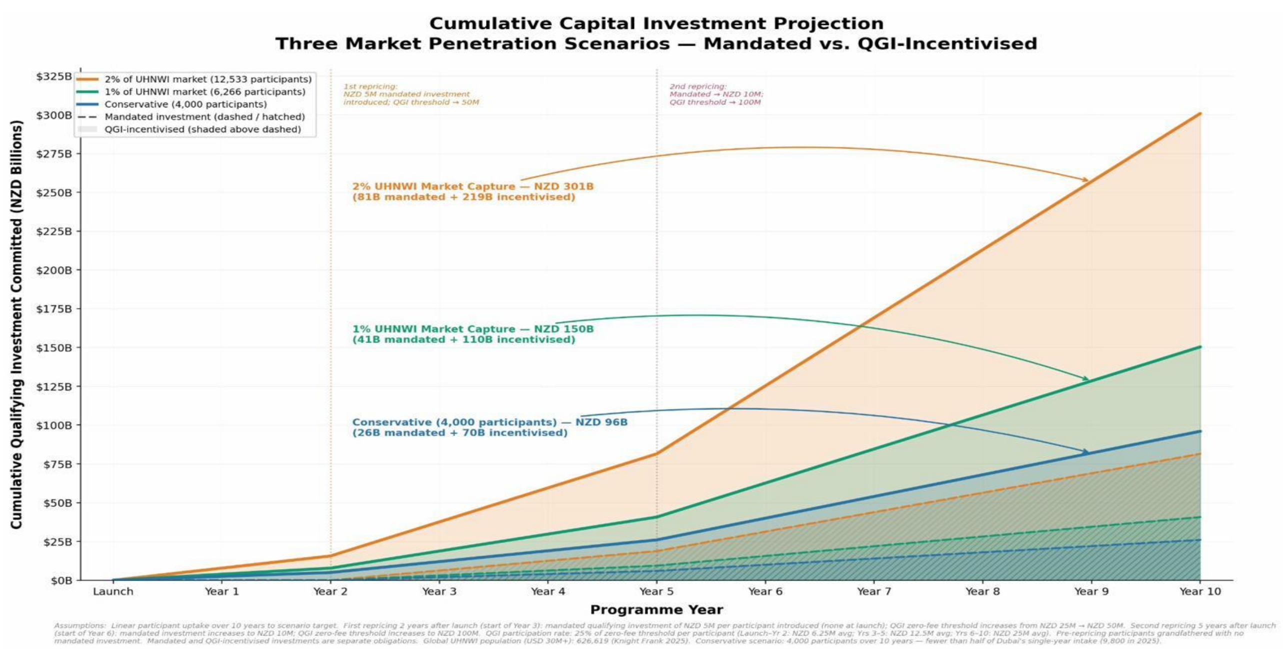
What NZD 4 billion annually means: approximately two new Dunedin-scale hospitals every year, or more than five times the annual school property investment in Budget 2025, or roughly 85 km of new four-lane motorway per year. The 2% scenario would exceed 60% of New Zealand's entire corporate tax base (NZD 20.7B).



TRE Crown Revenue Projections — Three Market Penetration Scenarios vs. Status Quo

The red dashed line at the bottom is the status quo: the best FIF has ever produced (NZD 175 million peak). The blue line is TRE's conservative scenario. The shaded area between them is revenue that cannot exist without TRE. Switzerland achieves NZD 1.76 billion annually from 4,557 participants in a programme operating since 1862—and that figure is TRE's floor, not its ceiling.

> *Every dollar on the TRE revenue curve is revenue that the current architecture guarantees will never be collected.*

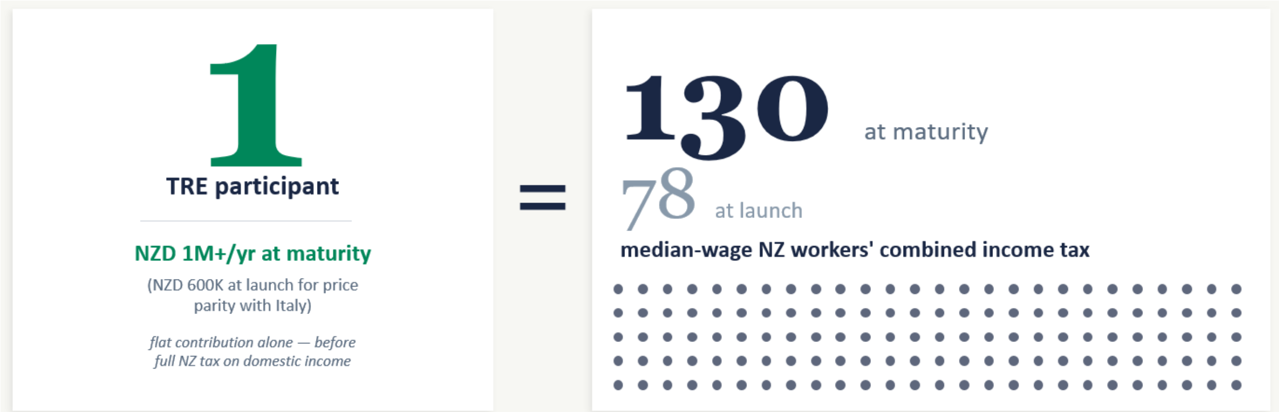


AIP+TRE Projected Capital Investment — Three Market Penetration Scenarios

By Year 10, TRE's mandatory qualifying investment alone channels tens of billions in cumulative capital into New Zealand's productive economy—above and beyond any AIP visa investment. Using a conservative 25% participation rate in voluntary capital contribution through the Qualifying Growth Investment incentive, total investment would reach NZD 96–300 billion depending on the scenario. This is the capital that creates enterprises, generates employment, and gives the next generation of New Zealanders a reason to build their careers at home. ***The solution to the brain drain.***

> *Annex F sets out the complete revenue projection methodology: the status quo baseline (FIF's actual revenue history), the international benchmarks (Italy's confirmed growth trajectory; Switzerland's NZD 1.76B annual floor), and the three TRE scenarios—conservative, moderate, and maturity—with all assumptions disclosed.*

Putting Global Wealth Mobility to Work for New Zealanders



Tens of thousands of new jobs from foreign capital investment. An economy so strong the next generation of New Zealanders stays and builds here instead of leaving for Australia. Revenue to fund public services—without raising a single Kiwi's tax by one cent.

Distance Is the Product

No competitor can replicate New Zealand's geopolitical safe-haven premium.

Jurisdiction	Distance from Nearest Threat	Risk Assessment
Switzerland (OECD)	900 km from Ukraine	Inside European risk zone
Italy (OECD)	1,400 km from Ukraine	Inside European risk zone
UAE / Dubai	72 km from Iran	Struck Feb 2026 — 167 missiles, 500+ drones
Singapore	1,400 km from Taiwan Strait	Within Taiwan Strait risk radius
New Zealand	**17,000 km from all conflict zones**	**Outside every active risk zone**

The UBS Billionaire Ambitions Report 2025 found that geopolitical concerns (36%) and tax efficiency (35%) are now statistically indistinguishable as drivers of relocation decisions. Safety is no longer secondary to tax—it is co-equal with it. New Zealand's geographic distance, once a liability, has inverted to become a permanent structural advantage that no European, Gulf, or Asian competitor can replicate.

> *New Zealand's geographic isolation was, for most of its history, a cost to be managed. It is now a premium that could underpin a generational transformation of the New Zealand economy.* ***TRE is the instrument that monetises that premium.***

Part Four provides the full geopolitical analysis: the structural inversion of distance as an asset since 2022 (Section 4.1), Germany's emergence as the most unexpected signal in the data (Section 4.3), the safety premium that compounds the tax case (Section 4.4), and the analysis of why no competitor can replicate New Zealand's geographic position (Section 4.5).

Flat Tax: A Proven Model, Settled Evidence

NZD 234M	NZD 1.76B
Italy's 2023 revenue 1,495 participants Grew through 2 price increases	*Switzerland's annual revenue 4,557 participants since 1862 A floor, not a ceiling*
Corte dei Conti	*Swiss Federal Finance Dept*

30×	–43%	1.6
Foreign talent tax-responsiveness vs domestic equivalents	UHNWI decline when Swiss cantons repealed flat tax	Migration elasticity for high-paid foreign workers
Akcigit et al., AER 2016	*Baselgia & Martínez, EJ 2025*	*Kleven et al., QJE 2014*

Italy proves the model works: growth from 226 to 1,495 participants through two price increases (€100K → €200K → €300K), each met by higher uptake. Switzerland sets the pricing benchmark. The peer-reviewed academic evidence is settled: foreign high-skill talent is thirty times more responsive to tax settings in its location decisions than domestic equivalents. These are not projections. They are proven benchmarks from OECD member countries operating programmes TRE is designed to surpass.

The Competitive Stage

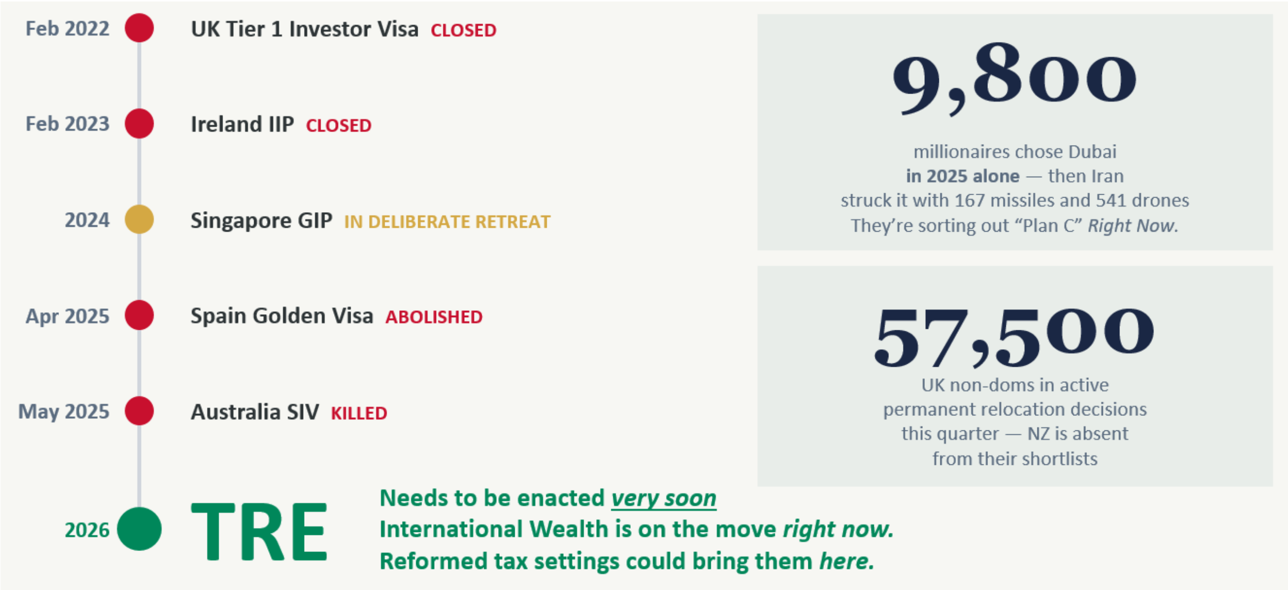
Jurisdiction	Annual Cost	Safety	Settlement Contract	Key Risk
Italy (OECD)	€300K/yr	IN EUROPE	Statutory	1,400 km from Ukraine
Switzerland (OECD)	CHF 400K+/yr	IN EUROPE	Cantonal statute	900 km from Ukraine
UAE / Dubai	Zero	STRUCK	Discretionary	72 km from Iran
Singapore	Zero	AT RISK	In retreat	Taiwan Strait risk radius
UK (FIG) (OECD)	Full rates Yr 5	IN EUROPE	4 yrs only	16,500 left in 9 months
NZ-TRE	**NZD 1M+ (600K launch)**	**MAXIMUM**	**16 yrs statutory**	**17,000 km from everything**

Zero tax at the wrong address is the wrong answer to the right question.

Part Five contains the full competitive landscape analysis: a comprehensive comparison matrix evaluating every relevant flat-tax regime—Italy, Switzerland, the UAE, Singapore, Greece, Portugal, Malta, and the UK FIG—across annual contribution, investment requirement, residency obligation, grandfathering terms, programme certainty, institutional framework, and geographic safety (Section 5.1).

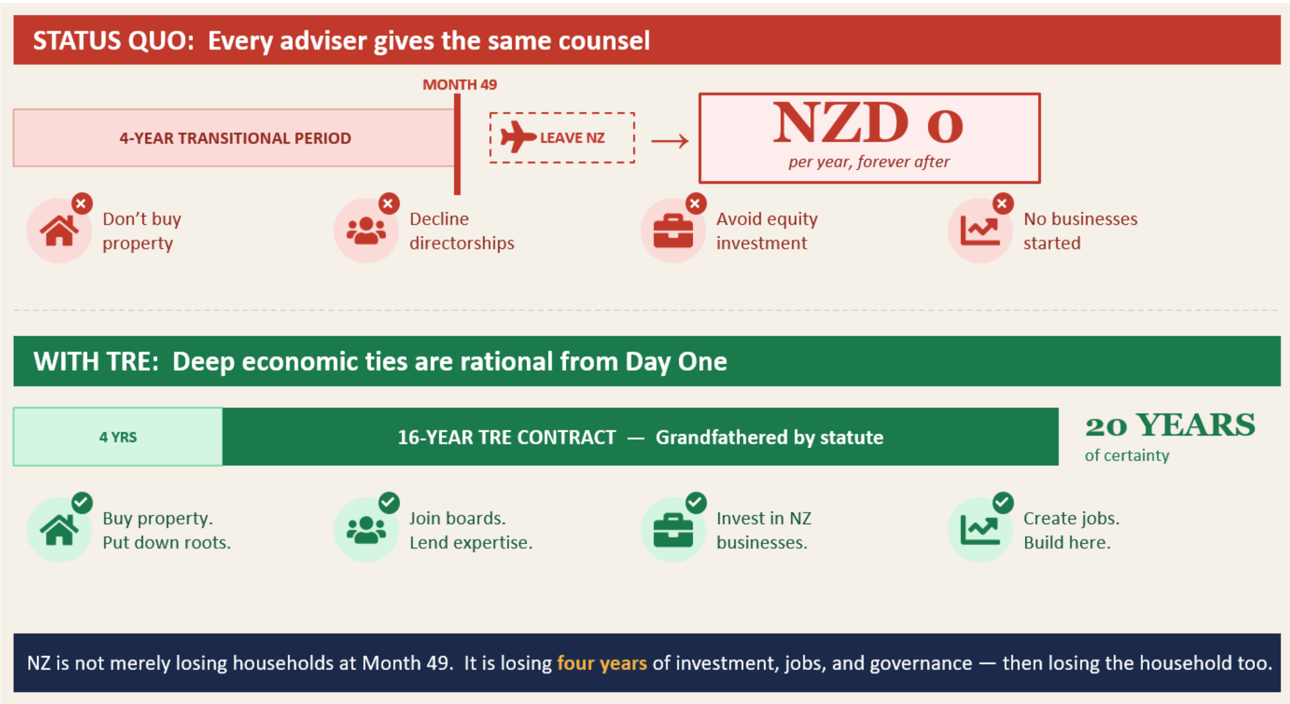
The Window of Opportunity Will Close Soon

Five competitor programmes closed or retreated. The vacancy will not remain open indefinitely.



The Tax Cliff Begins on Arrival

Our current tax settings don't just provoke wealthy immigrants to ***leave*** after 48 months. They also dis-incentivise them from investing in our productive economy during those 48 months.



The Choice Is Clear

Reforming our tax settings won't cost us anything. It will bring ***billions in new crown tax revenue.***

ZERO

They never come. Or they leave.
New Zealand collects nothing.

NZD 4–12.5 billion
in annual Crown tax revenue

NZD 100–300 billion
in capital committed to NZ's economy

Tens of thousands
of new jobs for New Zealanders

From people who currently contribute nothing — because our settings ensure they never come.

The choice is not flat tax versus full tax.

It is flat tax versus zero.

The demand exists. The design is complete. The OECD precedents are proven. The market is choosing—now, this quarter. **The sooner New Zealand acts, the better.**

Every week without TRE is a week that moves a family office meeting to Zurich rather than Auckland. Settlement decisions at this level are not easily reversed. ***The window is measured in months, not years.***

The Ask — Three Actions, One Window

1

Within 30 days — Initiate the formal design phase

The Revenue Minister initiates a formal IRD and Treasury design phase with terms of reference calibrated to the TRE architecture in this proposal. Single deliverable: a bill ready for introduction within 12 months of the phase commencing.

2

Concurrent — Publish statement of intent with terms sheet

The Government publishes a clear statement of intent to introduce TRE, with a summary terms sheet circulated internationally. This action is concurrent with Ask 1, not contingent on Royal Assent. A published statement of intent is a market signal, not a legislative act. Precedent: the AIP residential property exemption was marketed before its enabling legislation.

3

Ministerial alignment — Revenue, Finance, and Immigration

The Revenue Minister facilitates direct engagement between this proposal, the Finance Minister's office, and the Immigration Minister's office to position TRE within New Zealand's economic development and immigration policy frameworks from the outset.

What stands between New Zealand and a generational revenue opportunity is not complexity, not cost, and not the absence of demand. It is a decision.

P A R T O N E

Unprecedented Global Wealth Migration

Global capital is relocating — and New Zealand's tax settings rule us out before the evaluation begins

1.1 A Structural Shift, Not a Trend

For most of the past century, the movement of wealthy individuals between countries was a curiosity — filler material for the global financial press, not a policy concern. The numbers were small, the causes idiosyncratic, the destinations predictable: Monaco, Switzerland, the Channel Islands.

That era is over.

In 2025, an estimated 142,000 millionaires relocated internationally — the highest number ever recorded, representing a 75% increase since 2022. Henley & Partners projects 165,000 relocations in 2026. The global population of high-net-worth individuals now stands at 23.4 million people, collectively holding USD 90.5 trillion in investable wealth. The ultra-high-net-worth segment — those with assets exceeding USD 30 million — numbers 626,619 people worldwide, having grown 33% in five years.

These are not people making incremental portfolio decisions. They are making irreversible life decisions: where to domicile, where to educate their children, where to build their next business, where to be buried. And they are acting now, in volumes that dwarf anything previously recorded.

142,000	**USD 90.5T**	**626,619**	**+75%**
millionaires relocated globally in 2025	*held by 23.4M HNWIs worldwide*	*UHNWIs (net worth USD 30M+) globally*	*increase in relocations since 2022*
Henley & Partners	*Capgemini 2025*	*Knight Frank 2025*	*Henley revised*

This is not a cyclical spike that will normalise. The structural drivers — the Russia-Ukraine conflict entering its fourth year, the Gaza conflict, the Iran-UAE strikes of February 2026, the collapse of the UK non-dom regime, rising instability across Europe and Asia — these events are intensifying, not resolving.

1.2 Why People Are Moving: The Two-Stage Decision

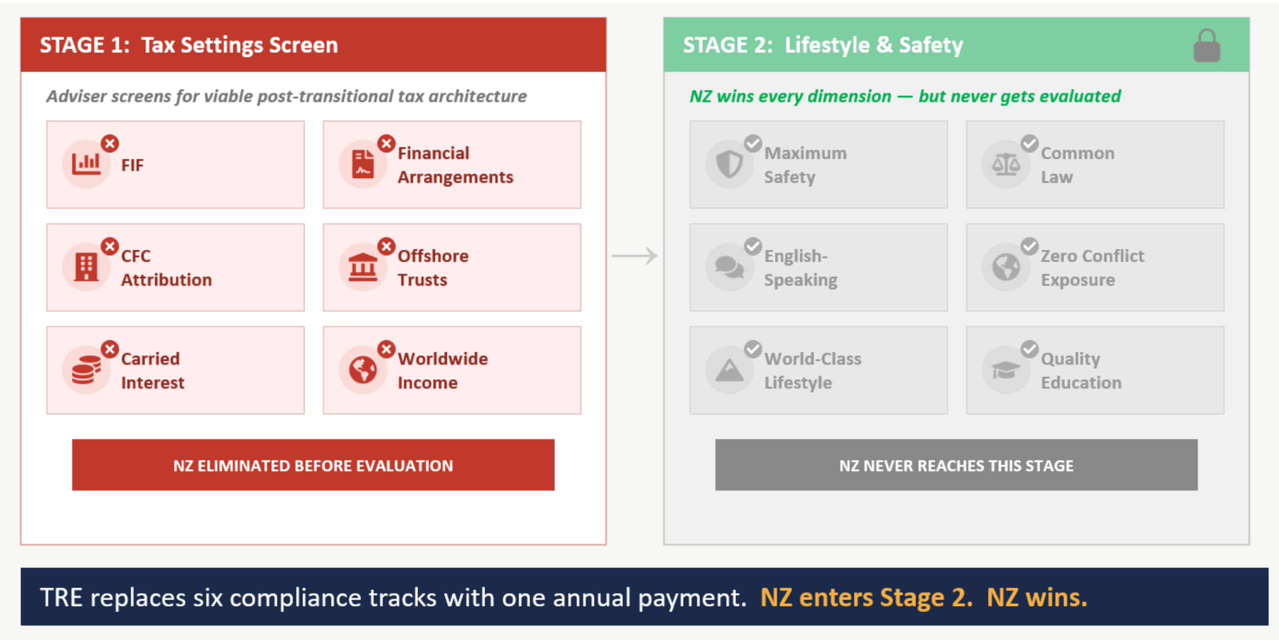
UHNWI households make domicile decisions in two stages. New Zealand fails the first one before it reaches the second.

Stage 1 — the tax settings screen. Before a family office or private bank will seriously evaluate any jurisdiction as a long-term domicile, that jurisdiction must offer a tax regime that is competitive on the global stage. This is not negotiable. Internationally mobile UHNWI households hold wealth that generates significant passive income across multiple structures: dividends, interest, capital gains, returns from offshore funds, and private equity positions. A jurisdiction that taxes all of that at full domestic rates — with no transitional relief, no flat-tax option, no remittance-basis arrangement — is excluded from the shortlist. It does not matter how beautiful the scenery is, how stable the government is, or how good the schools are.

New Zealand, under its current settings, fails this entry test. The government's ongoing FIF reforms are welcome and meaningful — they address a real problem for migrants holding offshore equities in listed markets. But they are not sufficient to put New Zealand on the shortlist for the UHNWI households this proposal targets. For that population, FIF is one friction among several, and not always the most significant one.

The deeper structural problem is New Zealand's worldwide income tax regime as it applies after the four-year transitional period. A UHNWI household typically holds its wealth across private company stakes in multiple jurisdictions, offshore trusts, foreign partnerships, carried interest in private equity funds, royalty streams, and operating businesses. New Zealand's tax rules, once transitional residency expires, require that all of this be brought to account at full marginal rates — with no flat-tax alternative, no remittance-basis option, and a compliance architecture so complex that the advisory cost alone can run to hundreds of thousands of dollars annually. FIF reform repairs one wall of a house that needs a new foundation.

Stage 2 — lifestyle and safety evaluation. Only jurisdictions that pass Stage 1 are evaluated on lifestyle, legal system, language, safety, and education. Among the jurisdictions that pass — Italy, Switzerland, the UAE, Singapore, Malta, and their equivalents — UHNWI families are now applying a second filter that has grown dramatically in weight since 2022: physical safety and geopolitical stability.



The UBS Billionaire Ambitions Report 2025, surveying 87 billionaire clients, found that geopolitical concerns (36%) and tax efficiency (35%) are now statistically indistinguishable as drivers when choosing among already-shortlisted destinations. Knight Frank's European Lifestyle Survey of 704 high-net-worth individuals placed security and political stability as the top priority — above lifestyle, above education, above every other factor — when evaluating tax-competitive jurisdictions.

The critical implication for New Zealand: we are absent from both stages of this decision. We are not on the shortlist because we do not offer a competitive post-transitional tax regime. And we are therefore never evaluated on the safety and lifestyle dimensions where we would win, decisively, against every competitor.

> *New Zealand never loses a domicile competition it enters. The problem is that without competitive post-transitional tax settings, we are disqualified before the competition begins. TRE solves that.* ***Once we are on the shortlist, New Zealand's location, culture, natural beauty, and rule of law close the deal — every time.***

The Transitional Residency Extension (TRE) is not a new policy — it extends New Zealand's existing transitional tax residency, which has been part of NZ law since 1 April 2006 and is fully compatible with OECD guidance. TRE simply charges a flat annual fee to extend that existing mechanism beyond its current four-year window, replacing six parallel post-transitional compliance tracks with a single, certain payment. This is a settings adjustment to an existing, proven, OECD-compatible architecture — not a new programme. (The detailed OECD compliance case is set out in Part Three.)

1.3 Who Is Leaving — and What They Are Taking With Them

The outflows are not uniform. They are concentrated in specific countries, driven by specific triggers, and their composition matters enormously for understanding what New Zealand could capture.

The United Kingdom's story is the most consequential. In 2025, the UK recorded a net loss of an estimated 16,500 millionaires — the largest single-year outflow ever recorded for any country in the history of HNWI migration tracking. The UK's non-domicile regime had operated successfully for decades, tracing its origins to the Income Tax Act of 1799. It allowed UK residents with foreign domicile to pay tax only on income remitted to the UK, shielding offshore foreign income. The regime attracted a concentration of internationally mobile founders, financiers, cultural entrepreneurs, and philanthropists that was arguably the most productive in the world.

What destroyed it was not policy failure, OECD pressure, or evidence that the regime was harmful to the UK economy. It was a political scandal. In April 2022, The Independent revealed that Akshata Murty — wife of then-Chancellor Rishi Sunak — was claiming non-dom status and paying a £30,000 annual charge to shield an estimated £12 million per year in Infosys dividends from UK tax, while her husband was simultaneously raising National Insurance on millions of workers. The political fallout was immediate and devastating. Rather than holding one high-profile individual accountable for abusing the programme, both parties competed to abolish the entire regime. The Conservative government announced abolition in March 2024; Labour's October 2024 Budget layered capital gains tax increases and inheritance tax changes on top; and the non-dom rules took full effect in April 2025. Henley & Partners reports that applications from UK nationals increased 183% in the first quarter of 2025.

The result was entirely predictable: 16,500 millionaires left in nine months. The UK responded to abuse by one prominent individual by destroying a programme that had been generating tax revenue and economic contribution for generations. New Zealand should learn from this — not by avoiding flat-tax regimes, but by designing integrity safeguards (as TRE does) rather than assuming the solution to one bad actor is to eliminate the entire programme.

Their destinations in 2025 were the UAE, Monaco, Malta, Italy, and Switzerland. New Zealand did not feature on that list — not because it lacks appeal, but because it lacks a tenable post-transitional tax architecture for foreign-sourced investment income. AIP+TRE provides exactly that.

Net HNWI Losses (2025)	Net HNWI Gains (2025)
UK −16,500 (non-dom abolition)	**UAE** +9,800
China −7,800 (economic/regulatory)	**USA** +7,500
India −3,500 (diversification)	**Italy** +3,600
South Korea −2,400 (US security uncertainty)	**Switzerland** +3,000
France −800 (first-ever net loss)	**Saudi Arabia** +2,400
Spain −500 (first-ever net loss)	**Portugal** +1,400
Germany −400 (first-ever net loss)	**Greece** +1,200

Source: Henley & Partners / New World Wealth, 2025 estimates.

France, Germany, and Spain each recorded their first-ever net losses of millionaires in 2025. These are not countries with marginal HNWI populations. France has 660,000 millionaires; Germany has 2.2 million; Spain has 900,000. The fact that even a small proportion are now net exporters of HNWI residents represents an extraordinary shift in the European wealth landscape — and the underlying anxieties driving it will not be resolved by the next election cycle.

The UBS Billionaire Ambitions Report 2025 provides the most granular window into this population's state of mind. Of the 87 billionaire clients surveyed in December 2025, 36% had actually relocated in 2025 — not considered relocating, but moved. Among those under 54, that figure rose to 44%. This is a population that is acting, not agonising.

1.4 What This Population Represents

To understand what is at stake for New Zealand, it is necessary to be specific about what internationally mobile HNWI and UHNWI households actually are — and what they bring with them.

They are not passive capital. The global pool of ultra-high-net-worth individuals is disproportionately composed of founders, operators, and builders: people who created the businesses, the funds, the inventions, and the institutions that generated their wealth. A significant share have not retired from economic life. They are still building. Their capital flows toward opportunities they believe in, markets they understand, and ecosystems they want to be part of.

Lovina McMurchy came to New Zealand as a general partner of Movac, the country's largest venture capital fund. She left after exactly four years. She took with her not only her own capital but her networks, her deal flow, her international credibility, and the downstream investments that would have followed her relationships. That calculus — multiplied across every household that the four-year cliff has driven away, and every household that never came because its advisers said the cliff made NZ untenable — represents a compounding loss that no spreadsheet fully captures.

TRANSITIONAL RESIDENCY EXTENSION AT A GLANCE

Not a new programme — extends NZ's existing transitional tax residency (in effect since 2006, OECD-catalogued)

TERM 16 years, commencing after NZ's existing 4-year transitional residency period (years 5–20 of residency)	**FOREIGN-SOURCED INCOME** Covered by the flat contribution — replaces the entire post-transitional architecture for qualifying participants
ANNUAL CONTRIBUTION NZD 600,000 (principal) + NZD 100,000 per dependent at launch; escalates on Italy's proven model	**QUALIFYING INVESTMENT** NZD 5 million in NZ growth assets (in addition to AIP visa investment requirement)
MATURE RATE NZD 1,000,000/yr — all participants grandfathered at election-date rate for the full 16-year term	**RESIDENCY** Cumulative 1,440 days over the 16-year term — no annual test; unused days bank forward
NZ-SOURCED INCOME Taxed at full NZ marginal rates — no special treatment whatsoever	**GRANDFATHERING** Unconditional — all terms fixed at election date, with full statutory protection against retrospective change

Key parameters — full design detail in Part Three

1.5 The Scale of the Opportunity

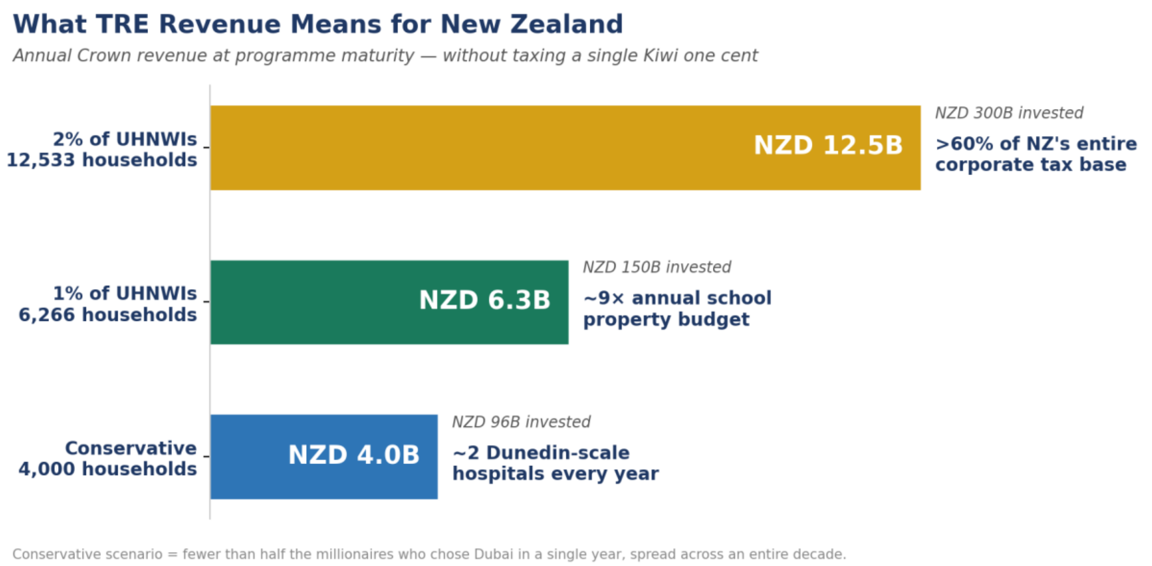
To understand the scale of what is available, it helps to frame the numbers in terms of the global UHNWI population rather than raw headcounts. The world currently has 626,619 individuals with net worth exceeding USD 30 million. One thousand UHNWI households settling permanently in New Zealand — genuinely domiciling, employing staff, building businesses, sitting on boards, funding universities, endowing arts institutions, mentoring founders — represents just 0.16% of that population. Less than two in every thousand of the world's wealthiest households.

At the mature TRE contribution rate of NZD 1 million per year, one thousand households generate NZD 1 billion annually for the Crown — before NZ-sourced income tax, before wage tax, before GST, before multiplier effects. Each participant's annual contribution equals the combined income tax of approximately 130 median-wage New Zealand workers. From 0.16% of the global UHNWI population.

Dubai attracted 9,800 millionaires in a single year — 2025 alone. Over the three years ended 2025, more than 26,500 millionaires moved to Dubai. TRE's conservative scenario asks for 4,000 households over an entire decade — a fraction of what one competitor attracted in a third of the time. And Dubai offers zero tax. TRE asks NZD 600,000 to NZD 1 million per year. If ever there was a moment when billionaires sitting in penthouses in Dubai were ready to learn the lesson "you get what you pay for," it was when they watched the penthouse next door get blown up by an Iranian missile. Right now is the moment of opportunity for New Zealand to invite them to come here — not for zero tax, but for a million dollars a year in flat tax, which they can afford, and which will have a profound and transformative effect on our economy.

Scenario	Participants (10 yrs)	Annual Revenue	Total Investment	What It Means
Conservative	4,000	**NZD 4B+**	NZD 96B	~2 Dunedin hospitals/yr
1% of UHNWIs	6,266	**NZD 6.3B+**	NZD 150B	~9× school property budget
2% of UHNWIs	12,533	**NZD 12.5B+**	NZD 300B	>60% of corporate tax base

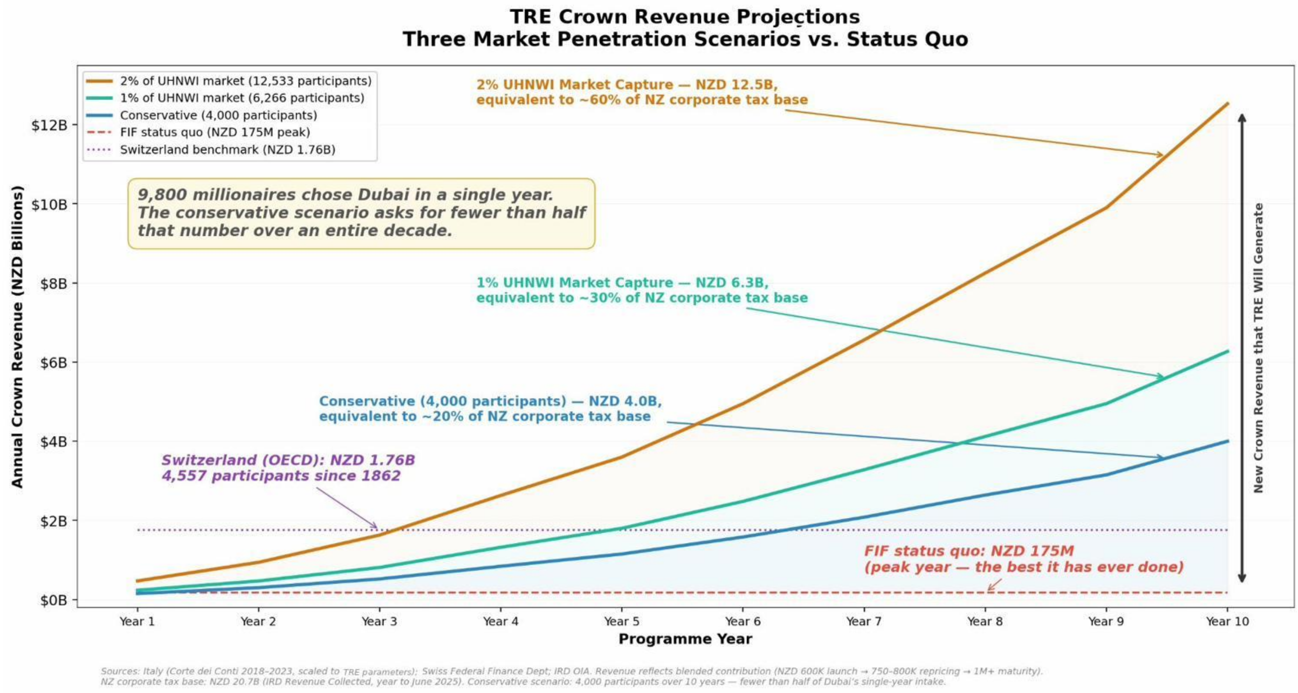
What these numbers mean in practical terms: NZD 4 billion annually (conservative scenario) is equivalent to approximately two new Dunedin-scale hospitals every year, or more than five times the NZD 712 million annual school property investment in Budget 2025, or roughly 85 km of new four-lane motorway per year. NZD 12.5 billion annually (2% scenario) would exceed 60% of New Zealand's entire corporate tax base and could fund transformative infrastructure on a scale NZ has never contemplated.



Now consider just 1% of the market. One percent of the global UHNWI population is 6,266 households. At the mature NZD 1 million contribution rate, that is NZD 6.3 billion in annual Crown revenue from flat-tax contributions alone — before any other tax category, before any investment multiplier. For context: New Zealand's total individual income tax revenue in 2024 was approximately NZD 60 billion, collected from 2.5 million taxpayers. Six thousand UHNWI households, each contributing a flat NZD 1 million, would generate more than 10% of the entire individual income tax base — from people who currently contribute precisely nothing to New Zealand's fiscal position.

At 2% of the global UHNWI population — 12,533 households — Crown revenue approaches NZD 12.5 billion annually. That figure is roughly equivalent to the total income tax paid by every salaried worker in New Zealand earning under NZD 70,000 per year. It is generated by two people in every hundred of the world's wealthiest households choosing New Zealand. Given what this country has to offer — once it is on the shortlist — 2% is not a ceiling. It is a floor.

> *The choice is not between a flat tax and full tax.* ***It is between a flat tax and zero*** *— because under current settings, UHNWI households either never come or leave before Month 49, contributing nothing. Every dollar on the TRE revenue curve is revenue that does not currently exist.*



Crown revenue projection: three scenarios over ten years at programme maturity. Every dollar on this curve is revenue that does not currently exist.

But the revenue projection, significant as it is, is not the most important number. The more consequential figure is what happens to New Zealand's private sector when even just one thousand globally connected UHNWI households decide to stay. The venture capital deal flow. The governance expertise on NZX-listed boards. The international distribution networks that NZ founders currently lack access to. The anchor investments that unlock co-investment from global funds. The skills transfer from operators who have built businesses at a scale that virtually no New Zealand company has ever reached.

This is not projection. It is what happens in every jurisdiction that successfully converts internationally mobile talent from temporary visitors into permanent, committed residents. The question for New Zealand is not whether this is possible. **It is whether we act before the opportunity window closes.**

1.6 Where They Are Going — and What Is Missing

The destinations attracting the largest HNWI inflows in 2025 are the UAE (+9,800), the United States (+7,500), Italy (+3,600), Switzerland (+3,000), Saudi Arabia (+2,400), Portugal (+1,400), and Greece (+1,200). Every one of these countries operates a formal investment migration programme. Every one has made a deliberate policy decision to compete for internationally mobile capital. New Zealand is not on this list.

But there is a deeper pattern in this data that matters more than the rankings. The English-speaking, common-law, rule-of-law destination category — the one that most closely overlaps with New Zealand's natural competitive positioning — is experiencing supply collapse at precisely the moment when demand is peaking.

The United Kingdom's non-dom regime, as described above, was abolished not because the programme was failing but because of a political scandal that made it toxic to both parties. Australia's Significant Investor Visa was killed by Labour in January 2024 — and critically, Australia's SIV was a golden visa programme (akin to our AIP Visa), not a flat-tax regime. It offered a pathway to residency in exchange for investment, with no special tax treatment on foreign income. The economic complaints that were cited to justify its abolition — that SIV holders were not generating sufficient tax revenue — are precisely the complaints that a flat-tax regime like TRE is designed to prevent. Had Australia offered a TRE-style flat tax rather than a simple golden visa, it would never have faced the revenue shortfall that was used to justify abolition because it would have attracted far more tax residents than it did. Ireland wound down its Immigrant Investor Programme in February 2023. Spain abolished its Golden Visa in April 2025. Canada operates a patchwork of provincial programmes with no coherent federal investor visa. The United States' EB-5 programme carries a multi-year backlog and unreliable legislative history.

The practical result: a UHNWI household in London or Frankfurt that wants to relocate to an English-speaking, politically stable, common-law jurisdiction with a credible investor pathway can choose from — essentially — New Zealand. But our tax settings currently rule us out.

New Zealand does not appear on the top-ten destination list because it has not yet put a credible offer on the table. The AIP visa, as currently structured, is a backup-plan mechanism: investors commit NZD 5 million, visit for 21 days over three years, and collect residency rights without becoming tax residents. That product will attract the optionality seeker, and it already has. In droves. But it will not attract the household that is ready to relocate permanently and wants a long-term settlement contract. TRE is that contract, and it closes the deal, turning AIP visa holders from tax-free repeat tourists to full-time, tax-paying residents who live and invest their wealth here in New Zealand.

Critically, TRE is not an immigration pathway. It does not change who enters New Zealand. TRE is available only to people who have already qualified for transitional tax residency through existing immigration pathways — primarily AIP, under Minister Stanford's leadership. AIP's screening is the safeguard. TRE is pure post-transitional tax architecture, sitting downstream of immigration controls that are already in place.

> *New Zealand does not appear on the top-ten destination list because it has not yet put a credible offer on the table — not because the product is inferior. The product is superior. It has just never been offered. AIP+TRE solves this.*

1.7 The American Dimension

Separately from the European geopolitical dislocation, a second and distinct wave of HNWI outbound interest is emerging from the United States — and New Zealand sits at the centre of it.

In the year following the November 2024 US election, Americans came to represent more than 40% of all New Zealand Active Investor Plus applicants — 617 of 1,833 applicants under the new programme settings. The United States is now, by a substantial margin, the single largest source of AIP interest. This is a demographic reversal of the programme's history: the predecessor schemes were dominated by Chinese-origin capital. The new programme is American.

This is not a tax story. The driver is political. Stuart Nash, the former Labour immigration minister now practising as an immigration adviser, described the pattern: the overwhelming majority of applicants are motivated by the changes they are seeing under the Trump administration. Robbie Paul, CEO of Icehouse Ventures, confirmed the shift: the political references have changed entirely, from no mentions of Obama or Biden to frequent references to anxiety about the current political direction.

Gallup's November 2025 World Poll found that 21% of Americans — one in five — would like to move permanently to another country. Among women aged 15 to 44, that figure is 40%, up from 10% in 2014. When asked where they would go, Americans placed New Zealand second — behind only Canada, which shares a land border and a century of cultural proximity.

40%	21%	#2	+102%
of AIP applicants are Americans (617 of 1,833)	*of Americans want to move permanently abroad*	*NZ as desired destination for departing Americans*	*US renunciations Q1 2025 vs Q4 2024*
INZ, Feb 2026	*Gallup, Nov 2025*	*Gallup, Nov 2025*	*Federal Register*

The AIP data reveals a two-tier dynamic. The Americans currently arriving via AIP — motivated primarily by political anxiety and seeking a backup plan — are predominantly the lower tier of the HNWI spectrum: people with enough capital to meet the NZD 5 million threshold, but not the UHNWI households with global business empires and nine-figure balance sheets whose settlement would be truly transformative. Those households may well be applying for AIP for backup-plan optionality — but they are not taking up tax residency in New Zealand under current settings. Their advisers have already explained why: after four years, the tax architecture makes permanent settlement economically irrational.

AIP+TRE is designed to change that calculus for both tiers. For the Americans already arriving via AIP, it provides the post-transitional tax certainty that converts a backup-plan visa into a permanent home. For the UHNWI households who have not yet considered New Zealand — the European industrialists, the Hong Kong family offices, the London financiers displaced by non-dom abolition — it resolves the entry-ticket problem that has been eliminating New Zealand from consideration before evaluation even begins.

1.8 New Zealand's Geopolitical Premium — and Why It Will Not Last

There is one feature of New Zealand's competitive position that cannot be replicated by any other jurisdiction competing for this capital, and that has not previously been assigned an economic value: its location.

Jurisdiction	Annual Cost	Safety	Settlement Contract	Key Risk
Italy (OECD)	€300K/yr	IN EUROPE	Statutory ✓	1,400 km from Ukraine
Switzerland (OECD)	CHF 400K+/yr	IN EUROPE	Cantonal ✓	900 km from Ukraine
UAE/Dubai	Zero	STRUCK	Discretionary	72 km from Iran hit Feb 2026
Singapore	Zero	AT RISK	In retreat	Taiwan Strait risk radius
UK (FIG) (OECD)	Full rates from Year 5	IN EUROPE	4 yrs only	16,500 left in 9 months
NZ-TRE	**NZD 1M+ (600K+ launch)**	**MAXIMUM**	**16 yrs statutory**	**17,000 km from everything**

For most of New Zealand's history, being at the end of the earth was a competitive disadvantage. Distance from markets, distance from capital, distance from talent pipelines — the tyranny of geography was a real constraint. That constraint has not disappeared. But for a specific and growing class of internationally mobile household, it has inverted. Distance is now the main appeal.

A German industrialist who genuinely believes that a Russian conflict expansion into NATO territory is a non-trivial risk within a ten-year horizon is not looking for a destination that is nearby and convenient. He is looking for a destination that is genuinely, verifiably far from the problem. No European jurisdiction can offer this, regardless of its tax regime. Switzerland is not far enough. Monaco is not far enough. The UAE — struck by 167 Iranian ballistic missiles and 541 drones in February 2026 — is not far enough. New Zealand, uniquely among first-world English-speaking common-law jurisdictions, is at the end of the world — and is perceived as such by the people making these calculations.

Henley & Partners identifies New Zealand as 'arguably the world's safest' country. Reid Hoffman, co-founder of LinkedIn, has publicly described New Zealand residency as a known priority among Silicon Valley's billionaire class. James Cameron relocated his family here permanently in 2020. These are not eccentrics. They are the vanguard of a market that is now much larger — a market that regards New Zealand as a backup-plan option only, because post-transitional taxation of foreign-sourced income makes permanent settlement economically irrational. AIP+TRE moves New Zealand from *not on the shortlist* to *top of the shortlist.*

> *New Zealand's geographic distance — long considered a disadvantage — is now its primary competitive asset for UHNWI settlement. No European jurisdiction can offer genuine remoteness. New Zealand can. But only if it acts before the market settles elsewhere.*

New Zealand's geopolitical premium is real, it is growing, and it is finite. It is real because the anxiety driving it is real — the Russia-Ukraine conflict has no credible resolution path, US political instability is structural not episodic, and the institutions that wealthy households have relied on are visibly under strain. It is growing because the cohort of households actively making domicile decisions on geopolitical grounds is larger than it has ever been. And it is finite because this premium will be fully priced by the market within a generation — as the world either stabilises or as competing jurisdictions successfully market their own versions of remoteness and safety.

The ECB confirmed in November 2025 that Central and Eastern European economies have suffered disproportionate macroeconomic shocks from geopolitical risk — higher inflation, energy cost disruption, capital flight, and investment suppression. The financial case for geographic diversification now reinforces the physical safety case: the family that has decided to move wants to move as far as possible, to somewhere as stable as possible, that has already solved the tax question. New Zealand is uniquely positioned to be that place — and uniquely absent from the market that is forming around it.

The window to establish New Zealand as the preeminent destination for UHNWI settlement is open now. It will not be open indefinitely. And it will not be opened again by a government consultation process that takes eighteen months to produce a proposal that takes another two years to legislate. The households making domicile decisions right now — in Frankfurt, in London, in San Francisco, in Hong Kong — will have settled somewhere by the time a slow-moving policy process concludes. The question is whether they settle here or elsewhere.

The chapters that follow address what New Zealand's current policy settings actually do to the people it is trying to attract, what a credible alternative looks like, and what the revenue and economic consequences of each path are likely to be. The argument, in summary, is this: the world has not offered New Zealand an opportunity like this before, and it will not offer it again. What New Zealand does with it in the next 12 to 18 months will define the composition of its private capital base, its entrepreneurial ecosystem, and its Crown revenue position for several generations.

Sources: Henley & Partners Private Wealth Migration Report 2025; Henley Global Mobility Report January 2026; Capgemini World Wealth Report 2025; UBS Billionaire Ambitions Report 2025 (87 clients, December 2025); Knight Frank Wealth Report 2025; Knight Frank European Lifestyle Report 2025 (704 HNWIs, 11 countries); Knight Frank European Lifestyle Report 2024 (750 HNWIs, 11 countries); ECB macroeconomic stability report, November 2025; Gallup World Poll, November 2025; Immigration New Zealand investor category data, 11 February 2026; deVere Group client analysis 2025; Savanta MillVue Q1 2025. Full source citations available in Annex D.

PART TWO

What New Zealand Currently Does to the People It Wants to Attract

A world-class visa programme, undermined by tax settings designed for a different era

2.1 The Cliff: How New Zealand's Tax Architecture Actually Works

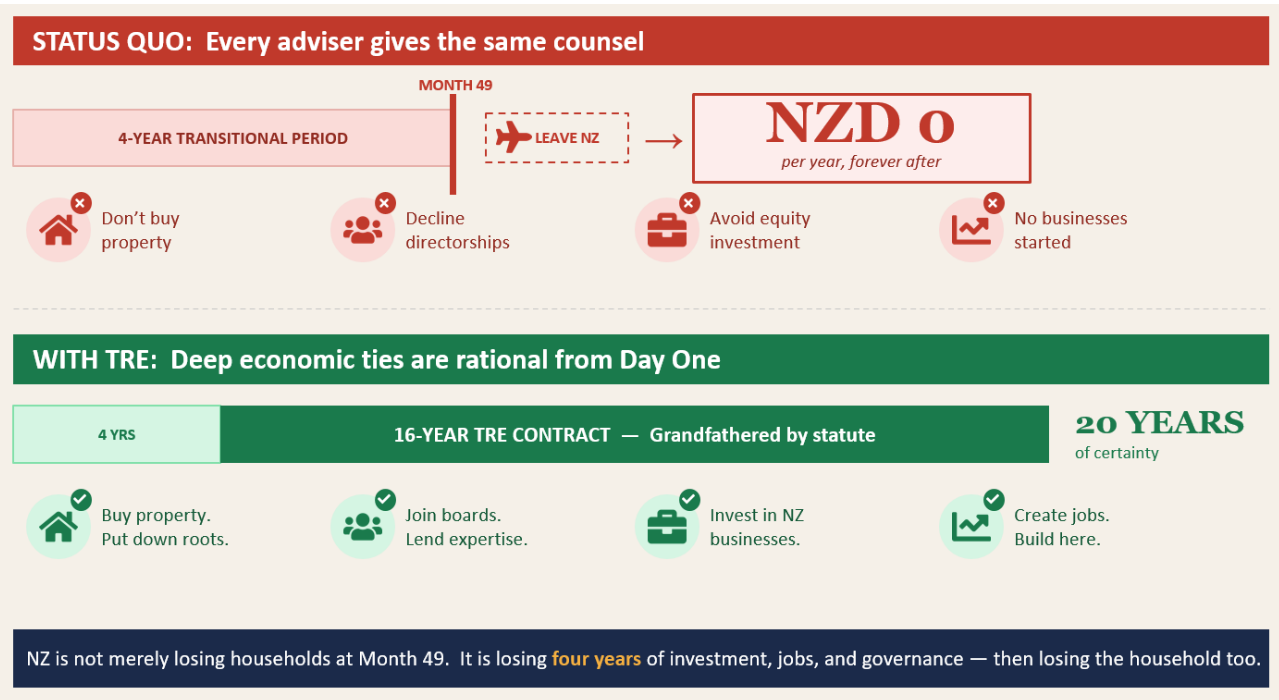
New Zealand grants every new tax resident a four-year transitional residency period — in place since 1 April 2006 — during which most foreign-sourced income is exempt from New Zealand tax. This exemption is genuine and meaningful. For four years, a new migrant with significant offshore holdings pays New Zealand tax only on New Zealand-sourced income. The transitional period gives them time to restructure, take advice, and decide whether permanent settlement is viable.

At Month 49, the exemption disappears entirely. There is no tapering, no grace period, no negotiated transition. Full worldwide income tax applies to every dollar of foreign-sourced income, from every source, in every jurisdiction, at full marginal rates.

For most new migrants, this is manageable if unwelcome. For the ultra-high-net-worth (UHNWI) household with complex multi-jurisdictional structures — private equity interests, minority stakes in unlisted operating businesses, offshore family trusts, carried interest accruing in unrealised funds — the consequences at Month 49 are not merely unwelcome.

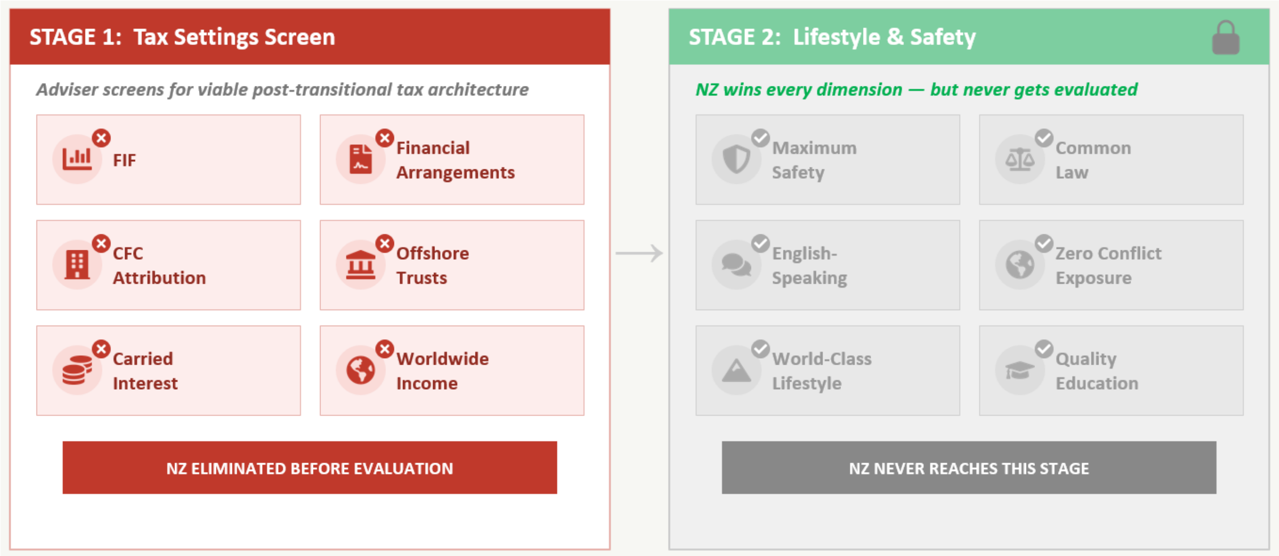
Our tax settings are, in the assessment of every major New Zealand tax advisory firm, the principal reason almost all UHNWIs choose to leave the country before Month 49 or, more often, never take up tax residency to begin with.

This is what the proposal calls **"the cliff."**



2.2 The Six Compliance Tracks: Why FIF Reform Is Not Enough

The tax architecture that creates the cliff is not one rule. It is six interlocking compliance tracks, each operating differently on different asset classes, and each producing its own variant of the same fundamental problem: New Zealand's tax settings were designed for a domestic taxpayer with domestic assets. They produce irrational and punitive outcomes when applied to internationally mobile wealth with complex pre-migration structures.



Track 1 — Foreign Investment Fund (FIF)

New Zealand taxes 5% of the opening market value of a taxpayer's offshore equity holdings as deemed income each year — regardless of whether any income was actually received. A taxpayer holding NZD 20 million in offshore equities pays New Zealand tax on NZD 1 million of deemed income annually, even in a year when those equities fell in value. For US citizens, the problem compounds: FIF deemed income does not correspond to income recognised under US tax law, so the resulting New Zealand liability generates no usable US foreign tax credit. The double taxation is permanent and irrecoverable.

The government's FIF reforms — the Revenue Account Method and Extended RAM for US citizens — represent genuine and important relief for migrants holding offshore listed equities. These reforms should be enacted, and the government deserves credit for initiating them. But for the UHNWI household that advisory firms are being asked to route toward New Zealand, listed equities are rarely the primary concern.

Track 2 — Financial Arrangements (FA)

Under subpart EW of the Income Tax Act, derivatives, options, futures, and swaps are taxed as ordinary income on an accruals basis — meaning gains are recognised annually as they accrue, not at realisation, at full marginal rates. For a sophisticated investor who manages wealth primarily through offshore derivatives structures — a category that includes many of the world's most active private investors — this treatment is as significant a deterrent as FIF, and operates entirely independently of it.

Tracks 3–6 — CFC Attribution, Offshore Trust Income, Carried Interest, and Worldwide Income

A German industrialist with a 15% stake in a family-owned Mittelstand business — unlisted, never distributed income to him personally, held for three generations — finds at Month 49 that New Zealand's attributed foreign income rules may require him to bring the business's retained earnings to account as New Zealand taxable income, even though he has received nothing. No FIF reform addresses this. The same applies to offshore trusts, carried interest in private equity funds whose realisation horizon extends beyond the four-year window, royalty streams from intellectual property, and offshore real property held through companies or partnerships.

The advisory cost alone — understanding how each element will be treated, restructuring what can be restructured, managing ongoing compliance — can run to hundreds of thousands of dollars per year. Most advisers do not attempt to restructure everything. ***They advise clients to leave.***

> *The problem is not one rule. It is the architecture. FIF reform repairs one wall of a house that needs a new foundation. TRE replaces the foundation — a single annual payment covering all foreign-sourced income regardless of classification.*

2.3 The Evidence: What Actually Happens at Month 49

The argument that New Zealand's post-transitional tax architecture drives away the migrants it is trying to retain is not theoretical. It is documented, on the record, by the country's most credible professional institutions — and it has been explicitly acknowledged by the government itself.

What follows is a summary of the primary evidence, led by the government's own statements and followed by the professional advisory community. Full citations with URLs and direct quotations are at Annex D.

Weight	Source	Core Finding
★★★	Minister Simon Watts (Mar 2025)	*FIF rules are a key deterrent for migrants and returning Kiwis and have deterred international talent and capital from relocating to New Zealand. Minister of Revenue, on the record, in a Beehive press release.*
★★★	IRD Consultation Paper (Dec 2024)	*Rules may also be an incentive to leave New Zealand for tax residents we would like to retain. The government's own revenue authority acknowledging the cliff drives departure.*
★★★	KPMG NZ (Jan 2025)	*In our experience… they will leave New Zealand when their transitional residence concessions expire. A Big Four firm asserting from direct client experience that departure is timed to the cliff.*
★★★	Deloitte NZ / Robyn Walker (Sep 2025)	*High-net-worth individuals leaving New Zealand after 4 years rather than making New Zealand their home.*
★★★	Simpson Grierson (Dec 2024)	*Documented migrants holding minority shareholdings in private overseas companies choosing to leave NZ rather than face FIF taxation of unrealised gains.*
★★★	NZIER (Apr 2024)	*Described departures as a silent epidemic. Original interviewees had already left by publication date. The bar to stay is so freaking high.*
★★★	Henry Brandts-Giesen, Dentons NZ (Aug 2022)	*I have reversed high-impact investor migrants out of New Zealand and advised several other clients not to apply for New Zealand residency due to FIF and CFC impacts.*
★★★	Lovina McMurchy, former GP, Movac (NZ Herald)	*Left NZ after exactly four years. NZ Herald headline: Dreaded FIF tax forces some of our best immigrants to quit NZ. A named, credentialed individual whose departure is documented in the national newspaper of record.*
★★	Terry Baucher, Baucher Consulting (Jan 2025)	*I have had a number of inquiries on this issue, and I know of clients who have backed away from New Zealand because of the FIF rules.*
★★	CAANZ (Jan 2025)	*Current rules could be deterring some people from choosing to settle in New Zealand. CAANZ represents 65,000 chartered accountants and is not given to alarmist language.*
★★	NZ Law Society (Jan & Oct 2025)	*FIF review is a positive step towards attracting capable migrants. Exit charge may be perceived as a disincentive to move to New Zealand.*

★★	NZ Herald / Bill Bennett (Jul 2024)	*In practice, this means there is an exodus of talent leaving the country just before the transitional period ends. Rob Coneybeer (Shasta Ventures): FIF is the No 1 reason holding back recruited talent.*
★	Russell McVeagh, MinterEllison, PwC, EY, BDO (2025)	*All five major firms published commentary describing the end of transitional residency as a consequential decision point requiring explicit professional advice — the professional equivalent of a warning label.*

The weight and consistency of this evidence is unusual in New Zealand policy discourse. It is not a single advocate making a self-interested argument. It is every major law firm, every Big Four accounting practice, the country's largest professional accounting body, the Law Society's tax committee, the government's own revenue authority, and the Minister of Revenue himself — all reaching the same conclusion from different vantage points, with different clients, using different words.

One note on what the evidence base does not contain. There is no IRD dataset that would allow the departure-at-Month-49 phenomenon to be quantified precisely. Transitional residency is granted automatically to every new migrant regardless of net worth. IRD collects no net worth data for transitional residents because there is no reporting obligation during the exemption period. The qualitative evidence from practitioners who work with this population daily is, in this instance, more probative than any dataset IRD could produce — and it points in one direction with unusual unanimity.

2.4 The Cliff Begins at Arrival, Not at Month 49

The cliff does not begin at Month 49. It begins on day one — and it costs New Zealand far more during those four years of apparent retention than at the moment of departure.

New Zealand's permanent place of abode (PPOA) rules create a hard constraint. A transitional resident who acquires deep onshore ties — purchasing property, accepting board positions, making equity investments — risks triggering a PPOA finding that renders a clean exit at Month 49 legally impossible. The advisory community has responded with unusual unanimity. Every major firm with UHNWI transitional residents gives the same counsel: *rent, do not buy; decline directorships; avoid business investments; leave the lightest possible footprint* — because that footprint is precisely what makes departure impossible, and departure is what the current architecture makes inevitable.

New Zealand's own tax advisers are telling the households New Zealand most wants to attract to avoid doing exactly the things New Zealand most needs them to do.

The consequence is a doubled cost. The cliff does not merely drive high-net-worth households away at Month 49. It causes every transitional resident to behave as a short-term visitor for all four years — suppressing exactly the investment, employment creation, and governance participation that New Zealand is trying to attract — and then drives them away regardless.

TRE completely solves this problem. A 16-year grandfathered contract eliminates the exit calculation from day one. "Leave a light footprint for clean exit" becomes "invest deeply, because you are here for the long term." The investment-suppressing effect of the cliff does not merely end. It reverses.

2.5 Case Study: What Current Policy Actually Does

THE AUTHOR'S STORY

Erik Townsend and his wife Alexandra arrived in New Zealand expecting a brief stay — six to twelve months at most. They chose NZ because cool autumn weather had arrived in Canada, and after several visits to Australia in prior years, they wanted to give "that other English-speaking country down there" a try. After one month, they both fell in love with New Zealand and its people. Alexandra told Erik she never wanted to leave. Erik proposed marriage on Waiheke Island approximately one month after they arrived. They married in Auckland at Christmas 2025, marking NZ as their permanent home.

When Erik engaged his first NZ tax adviser, the advice was blunt: enjoy four years in the country tax-free under transitional residency, then leave and don't come back. Three separate advisers gave the same advice. One pointed out that the Townsends could relocate to Italy, sign up for its flat-tax regime, and then literally travel back to New Zealand every year on an ultra-long-range private jet, enjoying NZ as tax-free visitors for six months a year — at materially lower total cost than paying NZ tax on foreign-sourced investment income. The private jet option is literally cheaper than compliance with our post-transitional tax settings.

Erik's transitional tax residency expires in November 2029. Without TRE, his Kiwi-born tax adviser's strong advice is that Erik and Alexandra should plan to leave New Zealand by that date. Erik intends to make it his personal mission to fix the settings so the Townsends can stay in NZ permanently.

Erik openly discloses a planned mixed-use ultra-luxury tower in the Auckland CBD that could cost upwards of NZD 1 billion and create hundreds of jobs for Kiwi construction workers. But that project is on hold because deep onshore ties would risk a PPOA finding during the transitional period, and TRE's adoption is the precondition for the market the tower is designed to serve.

In less than six months' residency, Erik has already identified several Kiwi businesses he would be keen to invest in. But his tax adviser tells him **not** *to invest in our businesses because doing so would complicate his ability to exit the country cleanly at Month 48 if this proposal is not adopted.*

This is not a story about one person's tax situation. It is a story about the Kiwi workers who did not get hired, the businesses that were not started, the local businesses that weren't invested in, and the highrise development that did not get built — all because New Zealand's tax architecture makes temporary visitor behaviour the rational choice for exactly the people New Zealand should be converting into permanent, committed, investing residents.

Martin Cooper, a Kiwi property developer, had this to say about the mixed-use high-rise project Erik envisions for the Auckland CBD:

> *"In any apartment building, the penthouses and larger premium units are where the developer's margin lives — typically the last twenty to twenty-five per cent of sales. But here's what matters for Auckland: the better I can price those premium apartments, the more room I have to deliver moderately priced units further down the building — apartments suited to a much wider slice of the local market. Right now, there's real offshore appetite for premium residences, but barriers to transactions remain. If the policy settings Erik proposes unlock that wealth-migrant demand, two things happen at once: pre-sales complete faster, so construction starts sooner — something the sub-contracting industry desperately needs — and developers recycle capital more quickly from project to project, meaning more homes get built in the same window of time. More demand at the top, quite literally, means more housing for everyone else."*
>
> **— Martin Cooper, Developer, Experiences By Coopers**

2.6 The AIP Design Paradox: A Backup-Plan Visa by Design

The Active Investor Plus visa (AIP) was designed explicitly for investors who want residency optionality without committing to tax residency — and it succeeds admirably at that purpose. AIP's 21-day minimum physical presence over three years allows investors to hold residency rights without triggering the transitional residency clock. This flexibility has made AIP enormously attractive. But it also means the market overwhelmingly treats AIP as a backup-plan product rather than a relocation pathway.

The recent legislative change allowing AIP holders to purchase residential property worth over NZD 5 million — with a specific exemption from the Overseas Investment Act rules that would otherwise trigger a permanent-place-of-abode tax residency finding — makes the design intent unmistakable. In Treasury's own words from OIA-20250655 (October 2025): "not all resident visa holders will be New Zealand tax residents."

The numbers confirm this pattern. Of the 573 AIP applications filed as at 11 February 2026, 430 have received approvals in principle and 182 have been granted resident visas — representing NZD 1.05 billion in committed investment from the granted cohort and a pipeline of NZD 3.39 billion across all applications. These are not trivial numbers. But they are numbers generated by investors acquiring options, not committing to permanent residence.

The programme's nationality data tells a striking story: 40% of applicants — 617 of 1,833 — are American, driven primarily by political anxiety rather than tax planning. The demand from this cohort is self-generating and politically durable. But the wealthiest American households — those with the most complex structures and the most to contribute to New Zealand's economy — are largely absent from the AIP applicant pool. Their advisers have already told them that AIP provides a legal option and nothing more, because after four years the tax architecture makes full settlement economically irrational.

> *New Zealand designed its flagship investor visa to accommodate the fact that its tax architecture makes permanent settlement irrational. The solution to an irrational tax architecture is not a visa that works around it. It is a tax architecture that permanently solves the core problem. TRE is that permanent solution — designed to complement AIP, not compete with or replace it.*

1,833	**NZD 3.39B**	**NZD 0**
AIP applicants currently in government pipeline	*committed investment capital already in pipeline*	*Crown revenue from that cohort's foreign income*
INZ data, Feb 2026	*INZ data*	*Treasury OIA-20250655*

2.7 The Cost of Inaction

The cost of maintaining the status quo is not an abstraction. It is expressed in three ways: revenue foregone, investment not made, and talent not retained.

Revenue

We do not know exactly how many UHNWI households have left at Month 49, because IRD's administrative data does not distinguish them from the general immigrant population. What we know from the professional evidence in Section 2.3 is that departures occur in material numbers, are specifically timed to the transitional residency expiry, and each departing household's contribution to the New Zealand tax base drops to precisely zero at the point of departure. The NZD 174.5 million generated by FIF in FY2023–

24 came from households that stayed despite the cliff. It says nothing about the households that left, which generated zero. Every dollar generated by TRE is revenue that does not currently exist.

Investment

Every household that left at Month 49 withdrew whatever qualifying investment it had made during the transitional period. The AIP qualifying investment minimum is NZD 5 million. Across even a modest estimate of annual departures — fifty households per year, which is conservative given the professional evidence — that is NZD 250–500 million per year in investment capital that does not remain in New Zealand's productive economy.

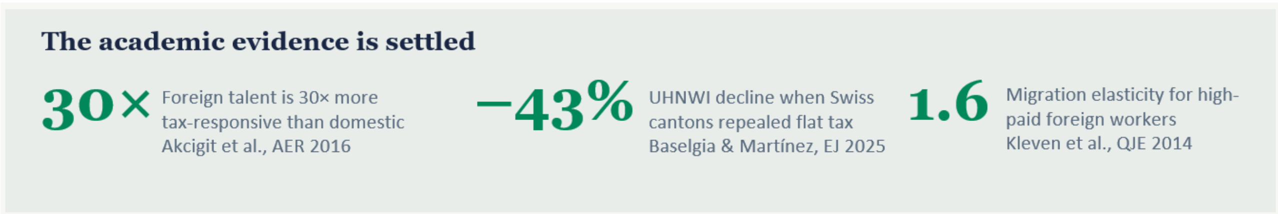
Talent

The least quantifiable dimension and the most consequential. The Lovina McMurchy case is illustrative precisely because she was not a passive investor. She was an active builder — a fund manager whose presence generated deal flow, governance expertise, and network connections that do not appear in any tax revenue dataset. Her departure, and the departure of every comparable household, represents a compounding loss to the New Zealand private capital ecosystem.

NZD 0	**The annual tax contribution of every UHNWI household that left at Month 49. The alternative is not 39% on worldwide income. It is nothing.**

2.8 What the Academic Literature Confirms

The professional evidence is reinforced by a body of peer-reviewed economic research that has substantially settled the question: do high-income, internationally mobile individuals respond to tax regime differences in their residential location decisions? They do, and at considerably higher elasticity than the general population.



The foundational study is Kleven, Landais, Saez, and Schultz (*Quarterly Journal of Economics*, 2014), which analysed Denmark's preferential tax scheme for highly paid foreign workers. The scheme nearly doubled the number of qualifying foreigners. The estimated migration elasticity for this population was approximately 1.6 — meaning a 10% reduction in the net-of-tax rate generates a 16% increase in high-income migrants. For context, the estimated migration elasticity of the general working population is close to zero.

Baselgia and Martínez (*Economic Journal*, 2025) examined the Swiss experience from the opposite direction: Swiss cantons that abolished their expenditure-based taxation for wealthy foreign residents saw the stock of super-rich foreigners decline by approximately 43%. The loss was not temporary — it reflected genuine relocation, concentrated in the highest-wealth segment.

Akcigit, Baslandze, and Stantcheva (*American Economic Review*, 2016) focused on internationally mobile superstar inventors — a population overlapping significantly with AIP's target cohort. They estimated that foreign high-skill talent is approximately **thirty times more tax-responsive** in its location decisions than equivalent domestic talent.

Most relevant to the cliff specifically is Schmidheiny and Slotwinski (*Journal of Public Economics*, 2018), which documented strong and precisely-timed residential relocation responses around deterministic tax threshold events. Their central finding — that individuals make location decisions in anticipation of known tax dates, sharply at the threshold — is precisely the behavioural signature described by every advisory firm in Section 2.3.

> *Foreign high-skill talent is thirty times more responsive to tax regimes in its location decisions than equivalent domestic talent. New Zealand's current settings are deploying that sensitivity in precisely the wrong direction.*

2.9 The Architecture Requires Replacement, Not Repair

Each of the preceding sections reaches the same conclusion from a different direction. The four-year cliff is not a single rule with a single fix. It is the product of applying New Zealand's domestic-taxpayer income tax architecture to internationally mobile wealth — an architecture that was never designed for this purpose and that produces increasingly visible and costly failures as the cohort of affected households grows.

FIF reform is necessary and the government deserves credit for initiating it. It should be enacted without delay. But it does not, and cannot, resolve the fundamental incompatibility between New Zealand's worldwide income tax regime and the needs of UHNWI households with multi-jurisdictional structures. Every major advisory firm that has engaged with this question has reached that conclusion. The IRD's own consultation documents reached it. The Minister of Revenue acknowledged it publicly. The AIP visa was designed around it.

The Transitional Residency Extension (TRE) is not a radical new policy. It extends New Zealand's existing transitional tax residency — a mechanism that has been part of NZ law for two full decades (since 1 April 2006) and is already OECD-blessed — in exchange for a meaningful annual contribution to the Crown. It is a settings adjustment to an existing, proven, OECD-compatible framework (see Part Three for the full OECD compliance analysis). The detailed architecture of TRE, including its pricing, investment requirements, and compliance design, is described in Part Three.

Primary sources: KPMG NZ FIF submission (27 January 2025); Deloitte NZ Tax Bill article (September 2025); RNZ interview with Robyn Walker (12 March 2025); Simpson Grierson legal update (December 2024); NZIER report 'The Place Where Talent Does Not Want to Live' (April 2024); IRD FIF/immigration consultation paper (December 2024); IRD outcome-of-consultation information release (October 2025); Treasury OIA-20250655 (October 2025); DLA Piper AIP tax analysis (December 2025); INZ investor category data (11 February 2026); IRD OIA FIF revenue data (September 2025). Academic sources: Kleven, Landais, Saez & Schultz (QJE, 2014); Baselgia & Martínez (Economic Journal, 2025); Akcigit, Baslandze & Stantcheva (AER, 2016); Schmidheiny & Slotwinski (Journal of Public Economics, 2018). Full citations and URLs in Annex D.

PART THREE

TRE Design and Architecture

Moving New Zealand from "Ruled Out" to "Top of the Short List" for Wealth Migrants

3.1 What TRE Is: The Architecture in Plain Terms

The Transitional Residency Extension is a 16-year elective tax regime available to HNWI households who have already qualified for New Zealand's existing four-year transitional residency period and made a qualifying investment in New Zealand growth assets during that period. Its implementation does not require adoption of any new policy regime; it merely extends the duration of our existing, proven transitional tax residency policy in exchange for payment of a flat tax. All New Zealand-sourced income remains taxable at full prevailing rates, with no modification, no special rate, and no preferential treatment of any kind. A TRE participant who earns NZD 5 million from New Zealand business activities pays exactly the same tax on that income as any other New Zealand resident taxpayer earning NZD 5 million.

AIP+TRE: KEY PARAMETERS AT A GLANCE

Full technical term sheet in Annex A — summary below for reference

Who is eligible Any individual who qualified for transitional residency, made the requisite qualifying investment during that period, and elected into the regime before transitional residency expired

Term 16 years (years 5–20 of NZ residency)

Annual contribution NZD 600,000 principal + NZD 100,000 per dependent at launch

Mature rate NZD 1,000,000+ per year (escalation schedule pre-announced at launch)

Grandfathering Unconditional — election-date rate and terms fixed for the full 16-year term by statute

NZ-sourced income Taxed at full standard rates — no special treatment

Foreign-sourced income Fully discharged by the flat contribution — no separate calculation required

Qualifying investment None at launch; NZD 5 million introduced at first repricing — pre-announced, grandfathered for all charter participants

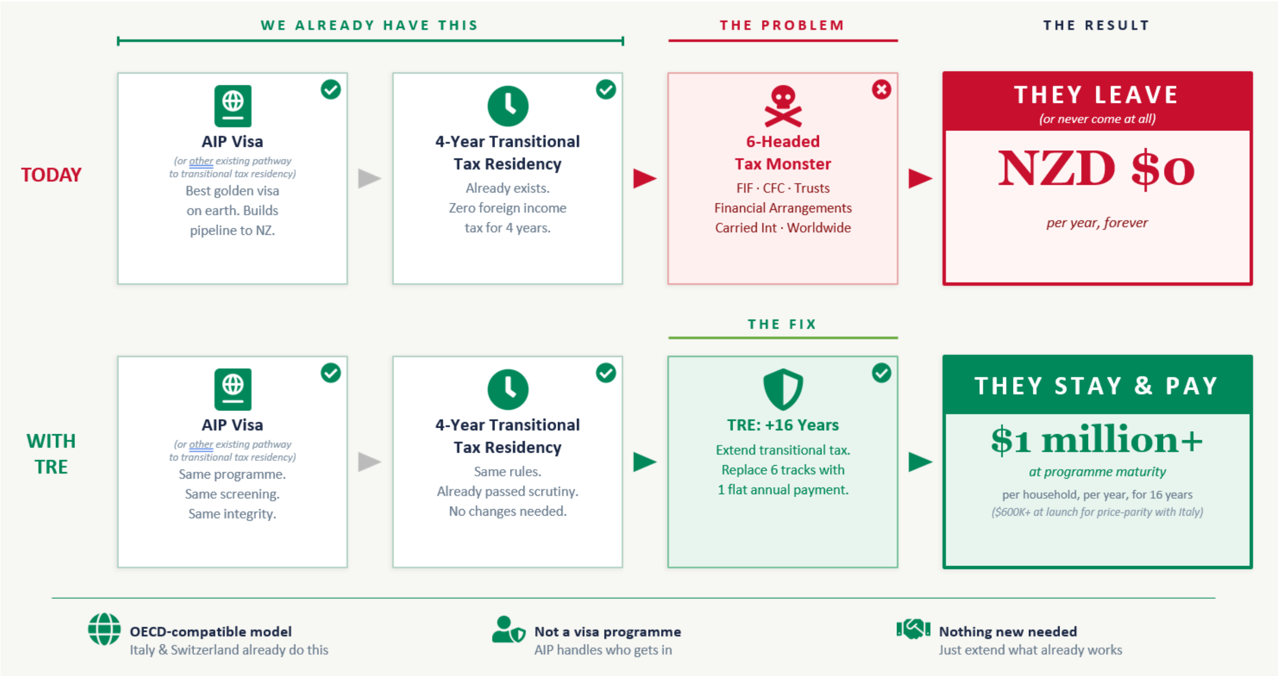
Residency Cumulative 1,440 days over the 16-year term — no annual test, surplus days carry forward under rising cumulative minimum

Election timing Any time during transitional residency after the qualifying investment is made — no additional waiting period

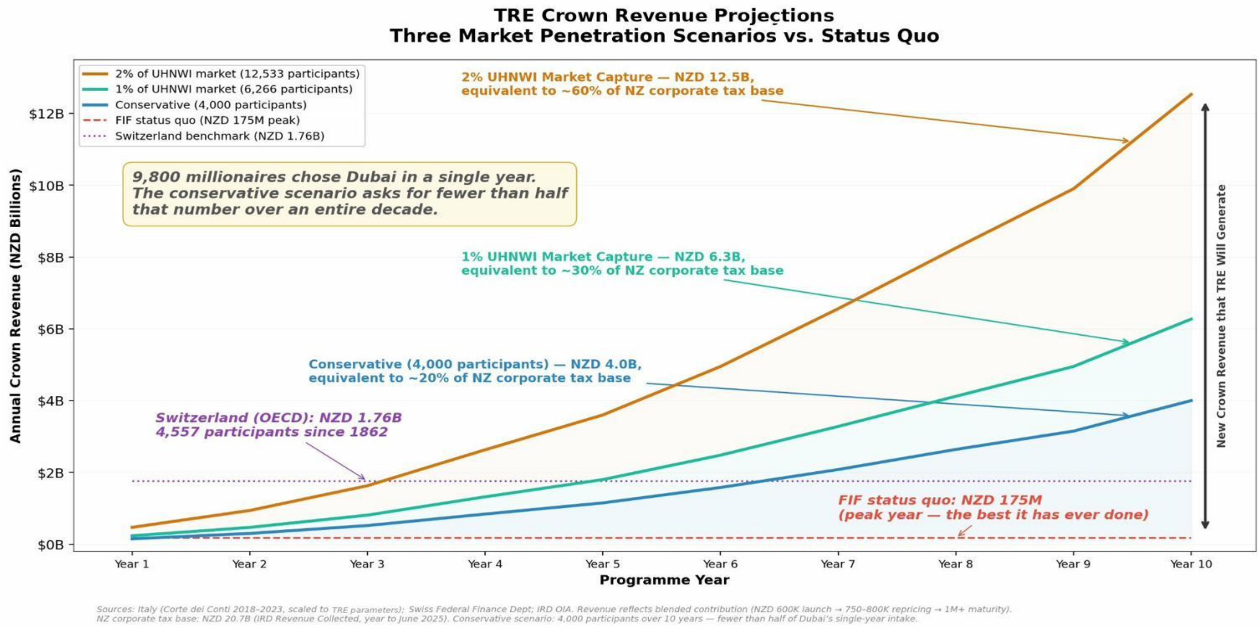
Once a participant elects into TRE, their transitional tax residency (which already exempts most foreign-sourced investment income for 4 years) is extended for up to 16 more years. That concession is never given away for free; TRE participants are required to contribute economically to our country in one or the other (or some combination) of two ways:

1. They can pay a flat tax (or a capped tax for U.S. Citizens to ensure compatibility with the American *Foreign Tax Credit* system) in lieu of taxation of their foreign-sourced investment income.
2. They can make significant investment in New Zealand businesses or other qualifying growth assets that achieves a contribution to our productive economy equivalent to or exceeding the flat tax described above. This is above and beyond any investment required for AIP visa qualification.

The result is a regime with genuine administrative simplicity — for both the participant and IRD — and a tax outcome that is internationally competitive, predictable across a 16-year horizon, and legally certain through unconditional grandfathering. It is the architecture that the advisory firms whose evidence fills Part Two's table have been requesting, in various forms, for over a decade. Not a patch on FIF. Not an temporary extension of the transitional period. A replacement of the problem with a solution.



Critics of any flat-tax regime raise a version of the same objection: those who can afford more should pay more. It is a reasonable intuition, applied to the wrong question. The debate is not what rate to apply to the very few HNWI households who stay in New Zealand *despite* the current architecture. It is what to do about the vastly larger cohort who do not come at all — or who leave at month 49 — contributing nothing. Every dollar on the TRE revenue curve in the chart below is revenue that does not currently exist. **The choice is not 'flat tax vs. full tax.' It is 'flat tax vs. zero.'**



The chart above shows TRE Crown Revenue Projections — Three Market Penetration Scenarios vs. Status Quo. The red dashed line at the bottom of the chart shows the revenue FIF (our current primary mechanism for taxing offshore investment income) produced in its best year ever – NZD 174.5 million. The conservative projection (blue line) shows the revenue TRE would produce if just 4,000 participants elected into the program over 10 years. By comparison, more than 26,000 millionaires moved to Dubai in just 3 years, evidencing that 4,000 over 10 years is extremely conservative. It's less than half the number that moved to Dubai in 2025 alone. The Green line shows just 1% of the global UHNWI population moving to New Zealand over a decade, and the Amber line shows 2% of the global UHNWI population coming to New Zealand under TRE.

3.2 Eligibility

Anyone who has already qualified for Transitional Residency under current law is eligible to elect into TRE at any time before their transitional residency period ends.

TRE is not an immigration programme; it is merely a mechanism to extend the 4-year transitional tax residency scheme that has been part of New Zealand law for 2 full decades. To participate in TRE, the applicant must first qualify for transitional residency under currently available pathways. For most wealth migrants, the AIP visa will be the pathway of choice. But AIP is not the only choice. Entrepreneurs who immigrate to New Zealand to start businesses might instead qualify via the Business Investor Work Visa; Australian nationals and permanent residents may qualify for transitional residency under the Trans-Tasman Travel Arrangement; and immigrants who marry a Kiwi may qualify under the Partner of a New Zealander Resident Visa.

Regardless of visa pathway, anyone who has already qualified for transitional residency under current law may elect into TRE during the standard four-year transitional residency period.

3.3 What the Flat Contribution Covers — and Why That Matters

The most important feature of TRE — and the one that distinguishes it from every incremental reform that has been proposed — is the scope of what the flat contribution discharges. It is not a replacement for FIF. It is a replacement for the entire post-transitional foreign income tax architecture. Understanding this precisely is essential to understanding why the regime works when targeted reforms do not. And it doesn't require any radical new policy regime; it is implemented simply by extending the transitional tax residency that has been part of our tax law for two full decades.

New Zealand's current system imposes tax on foreign-sourced income through a series of parallel rules, each designed for a different asset class: FIF for listed offshore equities, the accruals rules (subpart EW) for financial arrangements including derivatives and options, the CFC and Foreign Attributed Income rules for interests in offshore companies and controlled trusts, and the general worldwide income rules for everything else. Each regime has its own calculation methodology, its own interaction with foreign tax credits, its own compliance architecture, and its own set of outcomes that are punishing for the asset classes most commonly held by UHNWI households.

FIF reform — welcome as it is — addresses just one of these parallel tracks. It does not touch the others. A participant whose wealth is primarily held in listed equities may benefit substantially. A participant whose income comes primarily from offshore derivatives and futures positions finds that FIF reform does nothing for their Financial Arrangements income, which continues to be taxed on an accruals basis as ordinary income under subpart EW. A participant with a minority stake in a private family business in Germany finds that neither FIF reform nor FA reform addresses their CFC attribution exposure. Each of these investors — and the typical UHNWI household has exposure across all of these categories simultaneously — has a different problem that requires a different targeted fix. TRE eliminates the need for any of those fixes by making the category irrelevant.

INCOME TYPE	CURRENT TREATMENT (POST MONTH 49)	UNDER TRE
Listed offshore equities (FIF)	*Deemed income at 5% FDR annually — tax on unrealised gains, liquidity mismatch for illiquid positions*	Discharged by flat contribution — no FIF calculation required
Offshore derivatives, options & futures (FA)	*Taxed as ordinary income on accruals basis (subpart EW) — full marginal rates on gains as they accrue*	Discharged by flat contribution — no FA accruals calculation required
Offshore private company interests (CFC/FAI)	*Attributed foreign income rules — retained earnings of controlled offshore entities may be brought to account as NZ income*	Discharged by flat contribution — no CFC attribution calculation required
Offshore trust income	*Complex and fact-specific — distributions and attributed income taxable at full rates after transitional period*	Discharged by flat contribution — no offshore trust income reporting required
Carried interest & private equity	*Realisation-basis issues — timing mismatch between NZ taxation and fund structure realisation events*	Discharged by flat contribution — no carried interest tracing required
Royalties & IP income (offshore)	*Taxable as ordinary income at full marginal rates*	Discharged by flat contribution — no offshore royalty reporting required
NZ-sourced income (all types)	*Taxed at full standard rates — no modification*	Unchanged — taxed at full standard rates with no special treatment

The coverage table above represents the architecture that has been blocking UHNWI settlement for the past decade. TRE resolves every row simultaneously.

> *TRE does not ask participants to calculate their foreign income and then apply a preferential rate to it. It removes the obligation to calculate altogether. That is the architectural difference between a patch and a solution.*

3.4 Pricing, Escalation, and Grandfathering

Italy is the benchmark. Not because it is the best country in the world — it is not New Zealand — but because it provides the most direct operational proof that a flat-tax contribution regime, priced to demand genuine commitment rather than reward tax minimisation, will find its market. Italy grew from 226 participants in its launch year (2018) to 1,495 by 2023, through successive price increases, generating €117.6 million in state revenue in that year. Programmes that attract no one do not get repriced upward three times. Italy's trajectory is not merely a data point — it is a proof of concept, and its implications for TRE pricing are direct and deliberate.

TRE's pricing strategy operates in four layers. A minister reading the proposal for the first time, and an adviser screening it for a client for the first time, will encounter those layers in sequence. Understanding how each layer works — and why the sequence is intentional — is essential to understanding why the programme is designed the way it is. The below table summarises the TRE evolution from launch to maturity. The following paragraphs explain each parameter in turn.

TRE PROGRAMME PARAMETERS — EVOLUTION FROM LAUNCH TO MATURITY

Pre-announced at launch. Existing participants grandfathered at election-date terms for the full 16-year statutory term.

Parameter	Launch	First Repricing	Maturity
Annual contribution — principal applicant	NZD 600,000	NZD 750,000–800,000	NZD 1,000,000+
Annual contribution — per dependent	NZD 100,000	NZD 100,000	NZD 100,000
Required qualifying investment	*None*	NZD 5,000,000	NZD 5,000,000–10,000,000 †
QGI zero-contribution threshold	NZD 25,000,000	NZD 50,000,000	NZD 100,000,000
QGI fee reduction (near-linear)	10% per NZD 2.5m invested	10% per NZD 5m invested	10% per NZD 10m invested
Italy equivalent (for comparison)	*€300,000 (~NZD 591,000) annual contribution. No investment requirement at any stage.*		

† Required investment at maturity subject to government discretion at second repricing — to be increased to NZD 10 million only if programme demand is strong and the investment threshold is not a material barrier to applications. Required investment counts toward the QGI threshold. Full QGI formula in Annex E.

The US Track operates via a contribution cap rather than a flat fee; the cap is calibrated to produce a substantially equivalent outcome. see section 3.6 and Annex B.

The first layer is the visible entry ticket. At NZD 600,000 annually, TRE launches at near-parity with Italy's current rate of €300,000 (approximately NZD 591,000). That parity is calibrated to clear the initial adviser screen — the first filter any HNWI household applies before a programme receives serious evaluation. A programme priced materially above the established benchmark at launch does not get investigated. At parity, it does.

The second layer is the full cost picture at programme maturity. Once a household investigates seriously, it finds that TRE's total cost at maturity is materially higher than Italy's. Alongside the contribution, TRE introduces a required qualifying investment at the first repricing — separate from, and additional to, any investment made to qualify for an AIP visa. That requirement is NZD 5 million, potentially escalating to NZD 10 million as the programme matures, subject to grandfathering for all participants who elected before each change. Italy imposes no investment requirement whatsoever. A household comparing programmes on total cost of entry at TRE programme launch will find our programme priced equal to that of Italy, but by programme maturity, they will find TRE materially more expensive. That is by design. The flat contribution escalates from NZD 600,000 at launch to NZD 750,000–800,000 at the first repricing, and to NZD 1,000,000+ at full maturity. There is no required capital investment in our economy at programme launch. This is intended to keep our pricing competitive with Italy initially. Once our programme gains international attention and respect, we'll phase in the capital investment requirement to bring more value to the people of New Zealand. The overall goal is to launch at price parity with Italy, gain momentum, then increase our price to reflect the greater value we offer thanks to our location safely away from Europe's turmoil.

The third layer is the product discovery that happens in the same investigation. By the time a serious prospect has understood what TRE costs including the mandatory capital investment to be introduced at the first repricing above and beyond the flat tax, they have also understood what New Zealand delivers that Italy cannot: a 16-year commitment backed by an Act of Parliament, a geographic safety premium that no European jurisdiction can offer at any price, and a rule-of-law framework that has become a premium asset in its own right. The pricing strategy is designed so that both discoveries happen together. Italy is in Europe. New Zealand is not. The German industrialist, the London financier whose non-dom regime ended in April 2025, the Hong Kong family office deciding whether its next base is Auckland or Zurich — all of them are pricing one dimension that Italy simply cannot match: genuine, verifiable physical distance from the instability that drove the relocation decision in the first place. The household that reads only as far as the investment requirement and stops has not yet read as far as Part Four of this document. The household that reads Part Four does not stop at the investment requirement.

The fourth layer is the QGI — the Qualifying Growth Investment. For participants who invest beyond the required threshold, TRE's annual flat contribution does not merely become cheaper. It can reduce to zero. The Qualifying Growth Investment is a near-linear fee-reduction mechanism: for every additional tranche of qualifying investment above the required minimum, the annual contribution — for both the principal applicant and all dependents — is reduced proportionally. At launch, a participant who invests NZD 25 million in qualifying New Zealand assets pays no annual contribution at all, for as long as that investment remains in place. At the first repricing, the zero-contribution threshold rises to NZD 50 million. At full maturity, it is NZD 100 million. The required investment counts toward the QGI threshold. The calculation mechanics are set out in Annex E; the principle is straightforward: TRE gives the largest investors in New Zealand's economy the strongest structural incentive to stay invested. No comparable regime offers this. Italy charges €300,000 annually regardless of how much a participant has deployed into Italian assets. TRE prices the largest investors in proportion to their economic contribution — which, for a household with NZD 100 million committed to the New Zealand economy, the design judges to be zero.

At launch, TRE is genuinely — not merely nominally — at parity with Italy. No qualifying investment is required. No QGI threshold has been reached. The entry price and the full price are the same number. This is intentional: the programme launches with maximum first-look competitiveness, establishes itself in the global wealth-migration market, and then introduces the investment requirement alongside the first contribution increase — pre-announced at launch, with its effective date known well in advance. The urgency dynamic this creates is the same one Italy demonstrated across three successive price increases: the founding terms are available now; they will be materially higher and more demanding later; electing today locks in the launch rate and launch terms for the full 16-year term by statute.

The rationale for pre-announcing an escalation schedule at launch— is Italy's experience in miniature. The escalation creates urgency without creating anxiety, because grandfathering makes each decision irrevocable in the participant's favour, not the government's. The founding rate is available now; it will be higher later; locking in today is rational. For the 16-year commitment the regime requires, that logic is more powerful than any marketing campaign.

YEAR	FLAT-TAX RATE	PARTICIPANTS	STATE REVENUE	NZD EQUIVALENT
2018 (launch)	€100,000	226	€21m	~NZD 36m
2019	€100,000	~421	~€35m	~NZD 60m
2020	€100,000	~549	€43.9m	~NZD 76m
2021	€100,000	~690	~€64m	~NZD 107m
2022	€100,000	1,136	€89.8m	~NZD 144m
2023	€100,000	1,495	€117.6m	~NZD 209m
2024	€200,000†	Not yet published	Not yet published	—

† Rate for new entrants from August 2024. All participants who elected before August 2024 remain grandfathered at €100,000.
January 2026: Rate raised to €300,000 — all existing participants again grandfathered. 2024 participant count and revenue not yet published; official data expected June 2026.

Source: Corte dei Conti annual Rendiconto (2022–2023 confirmed); finanze.gov.it and unofficial sources (2018–2021 estimated). NZD equivalents at approximate spot rates. Italy's price increases were enacted with grandfathering of all existing participants at their election-date rate. † 2024 participant count and revenue not yet published; Corte dei Conti annual Rendiconto expected June 2026.

The grandfathering principle is non-negotiable and must be enshrined in statute — not merely stated in policy. This is the most important sentence in this section. No sophisticated HNWI household will commit to a 16-year settlement decision on the basis of a policy that can be changed by a future Budget announcement. The value of the commitment lies precisely in its certainty. Grandfathering converts a policy into a contract. The statutory protection must be explicit: any change to TRE parameters applies only to new elections made after the date of the amendment; all existing participants are held to the terms prevailing at their election date for the full 16-year term. Italy's experience confirms that this is not a concession to the market — it is the product feature that makes the market. Without it, TRE is a promise. With it, it is a 16-year agreement, backed by an Act of Parliament, that New Zealand can offer to the world's most discerning buyers.

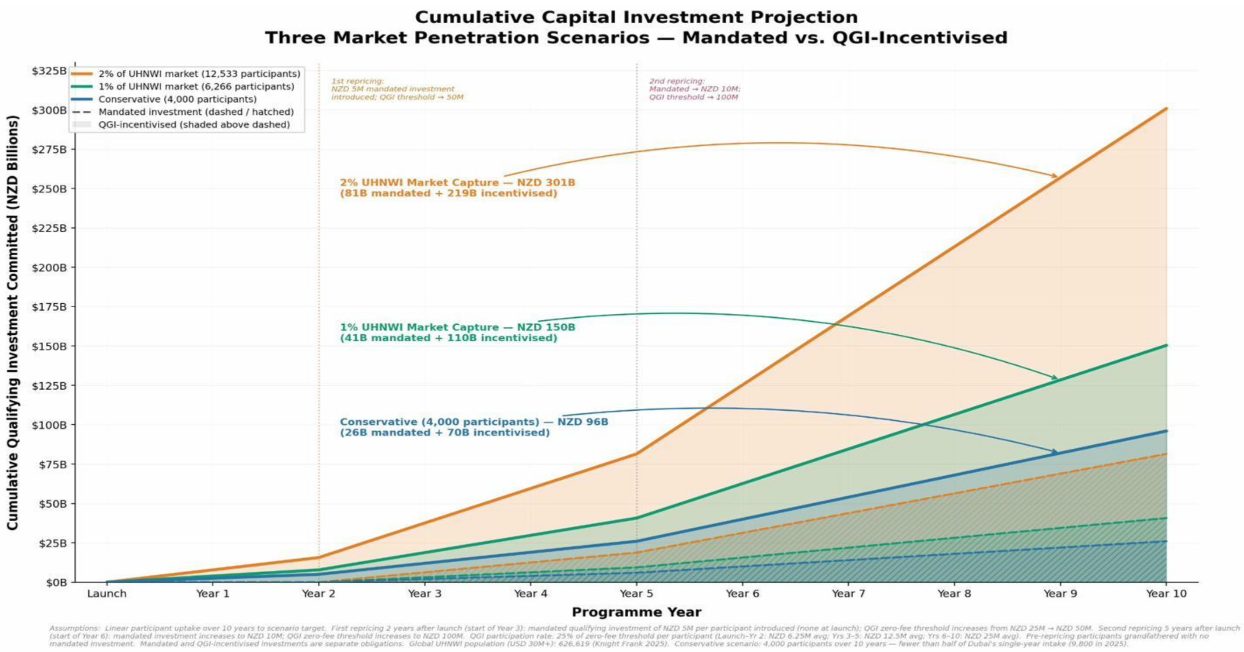
> ***Grandfathering converts a policy into a contract. Without it, TRE is a promise. With it, it is a 16-year agreement, backed by an Act of Parliament.***

The per-dependent addition of NZD 100,000 per year is structured to reflect the fiscal reality that each additional family member increases New Zealand's infrastructure costs (schooling, health, local services) and the practical reality that HNWI households relocate as family units. A principal applicant with a spouse and two children pays NZD 900,000 per year under the launch rate — the equivalent of the combined income tax paid by approximately 117 median-wage New Zealand workers — a figure that remains internationally competitive against Switzerland's lump-sum arrangements and above Italy's current all-in rates for comparable family configurations. Dependents are grandfathered at the per-head rate prevailing at election date; additional dependents added after election contribute at the prevailing rate at the time of addition.

3.5 The Qualifying Investment Requirement

The political question that any flat-tax regime must answer is a legitimate one: what does New Zealand receive in return, beyond the annual contribution? TRE's answer after the first repricing is an investment of NZD 5 million in New Zealand assets during the four-year transitional residency period — required as a precondition for election into the 16-year regime. This is not an immigration investment of the kind the AIP requires, nor is it a substitute for it. It is an additional obligation, above and beyond any investment made for AIP visa qualification, that anchors the participant's capital to New Zealand's real economy before the long-term regime begins.

The qualifying investment serves two purposes. First, it establishes that the participant has made a genuine economic commitment to New Zealand — not merely acquired a paper address — before locking in the preferential contribution rate for 16 years. Second, it creates an additional NZD 5 million in NZ growth capital per participant, separate from the annual flat contribution, which compounds the programme's direct economic benefit beyond its tax revenue implications. At 1,000 participants, the qualifying investment requirement generates NZD 5 billion in committed NZ investment — capital that creates jobs, builds businesses, and strengthens communities across New Zealand. At 4,000 participants, NZD 20 billion.



The above chart shows the cumulative capital committed to New Zealand's economy by participants meeting the qualifying investment threshold. The investment requirement is deferred to the first repricing (year three), then escalates alongside the contribution rate. At full maturity using the conservative estimate — 4,000 participants, the programme secures more than NZD 35 billion in committed mandatory investment in NZ growth capital. Assuming just a 25% participation rate in the elective (incentivised) capital investment scheme, total capital secured in the conservative scenario increases to NZD 96 billion. In the 1% scenario the figure rises to 150B and in the 2% scenario it rises to 300B.

This requirement makes TRE less competitive than comparable regimes on the investment dimension. Italy imposes no investment requirement whatsoever beyond the flat-tax contribution — participants pay the annual fee and nothing more. Greece requires a €500,000 qualifying investment (approximately NZD

985,000), which is less than one fifth of TRE's NZD 5 million threshold. The TRE design team recommends starting the investment threshold at zero — consistent with Italy — and introducing it only after the programme has established momentum and a positive reputation. The recommendation is that the NZD 5 million qualifying investment requirement be deferred to coincide with the first repricing of the flat contribution rate, so that the programme launches on terms more closely competitive with Italy, and the investment requirement is introduced once uptake rates are understood and the programme is established. Should the investment requirement be introduced at the first repricing, all participants who elected before that date are grandfathered and face no retrospective investment obligation. When it is introduced, the threshold should escalate alongside the contribution rate — rising to NZD 10 million as the programme matures — subject to grandfathering for all participants who elected before each escalation.

Qualifying investment categories mirror and build on AIP-approved categories: AIP-qualified managed funds investing in New Zealand companies, direct equity in NZ operating businesses, and adds residential property valued above NZD 5 million. The last category deserves a note: **qualifying residential property is a deliberate design choice, not an oversight.** The goal is to phase in the mandatory investment in a way that will be palatable to global investors. Italy doesn’t require any qualifying investment; if we suddenly do, that’s a major competitive disadvantage. But if the investment requirement is phased in with qualifying assets *initially* including a luxury home the investor was likely to buy anyway, the competitive disadvantage is much easier for the investor to overlook.

A HNWI household that purchases a NZD 6 million home in Auckland or Queenstown on day one of their transitional residency has made the most visible possible commitment to New Zealand — visible to the community, to their children's schools, to their neighbours. That commitment should qualify, at least initially, when the investment requirement is added at first repricing. The Overseas Investment Act implications are managed through the existing AIP property purchase exemption.

The design team considered limiting qualifying real estate to new construction only, because purpose-built new homes generate more direct employment (construction workers, tradespeople, project management) than purchases of existing stock. The recommendation is to implement the investment requirement with all residential real estate above NZD 5 million qualifying initially, because the programme is already less competitive than Italy and Greece on the investment requirement and should not compound that disadvantage. The new-construction-only restriction should be reserved as a potential amendment — grandfathered for all existing participants — to be considered at the time of the second price increase, once uptake rates are established and the programme's competitive position is well established. Likewise, residential real estate could be removed entirely (so that only investment in jobs-creating businesses qualifies) once the programme has gained enough momentum that we have the pricing power to be deliberately more expensive than Italy because we’ve earned an international reputation as offering much more than Italy can.

3.6 The Residency Design — A Genuine Differentiator

OECD guidance favors a 90-day residency requirement, to guard against Caribbean-style passport by investment schemes where the new “citizen” has never even visited their new country of citizenship when they are awarded its passport. The 90-day guidance is not strictly enforced; Italy is an OECD country and their flat-tax regime requires no physical presence at all — participants can be entirely absent, which creates exactly the paper-address criticism that OECD guidance cautions against. Greece imposes an excessive requirement of 183 days per year with no recovery mechanism if a participant falls short in any given year: it is a binary annual test with no allowance for the realities of global business travel. Switzerland's lump-sum arrangements impose canton-specific presence requirements that vary, create uncertainty, and complicate programme comparison for families evaluating multiple options simultaneously. TRE's residency design resolves all three problems at once — and the solution is simple enough to explain in a single table.

TRE requires a minimum physical presence of 1,440 days over the 16-year term — 90 days per year on average, fully satisfying even the strictest interpretation of OECD guidance on the matter. The mechanism works through a rising cumulative minimum: 90 days required by the end of year 1, 180 by end of year 2, 270 by end of year 3, and so on. A participant's actual cumulative day-count must stay at or above this rising minimum at all times. If a participant accumulates more than the minimum in any year — say, 300 days in year one against a minimum of 90 — those 210 surplus days carry forward and allow less time in New Zealand in future years without falling below the minimum. There is no binary annual pass/fail: the only test is whether the participant's running cumulative total meets or exceeds the running minimum at the end of each year. A participant who accumulates 600 days in the first two years and then spends four consecutive years away from New Zealand entirely has not breached the residency requirement — as the table below demonstrates.

THE CUMULATIVE RESIDENCY REQUIREMENT — HOW IT WORKS

The minimum cumulative days required rises by 90 each year. Days above the running minimum in any year count toward future years. There is no annual pass/fail — only the cumulative total matters.

YEAR	DAYS THIS YEAR	CUMULATIVE DAYS	MINIMUM REQUIRED	STATUS
1	300	300	90	**✓ 210 surplus**
2	300	600	180	**✓ 420 surplus**
3	0	600	270	**✓ 330 surplus**
4	0	600	360	**✓ 240 surplus**
5	0	600	450	**✓ 150 surplus**
6	0	600	540	**✓ 60 surplus**
7	300	900	630	**✓ 270 surplus**
…16	…	1,440+	1,440	**✓ Regime preserved**

In this example, four consecutive years of full absence (years 3–6) are absorbed by the surplus accumulated in years 1–2. The participant remains fully compliant throughout. The only test that matters: has the participant accumulated at least 1,440 days by the end of year 16?

The political rationale for this design is both principled and durable. New Zealand-born citizens can spend years abroad — for work, travel, education, or personal reasons — without losing their citizenship or their status as New Zealand residents. There is no principled basis for imposing a stricter continuous-presence requirement on TRE participants, who contribute NZD 600,000 to NZD 1 million per year to the Crown whether they are present in the country or not, have made a substantial qualifying investment in New Zealand's economy, and have committed to a 16-year settlement term. The 1,440-day aggregate over a lifetime horizon is the appropriate measure of genuine commitment. How those days are distributed across the 16 years is not.

The administrative rationale is equally clear: a cumulative day-count is simpler to administer than an annual rolling test with grace periods, carryforward provisions, and dispute resolution procedures for borderline years. IRD already tracks entry and exit dates for tax residency purposes. A running cumulative total requires no new data collection — only a different calculation applied to existing data.

No comparable programme offers this design. TRE threads the needle that every other regime misses: genuine commitment over a lifetime horizon, maximum flexibility within it, and administrative simplicity for both participant and regulator. It is a competitive feature, and it should be promoted as one.

> *No comparable regime asks participants for 1,440 days of genuine presence over 16 years and gives them complete flexibility in how they distribute those days. Italy asks for nothing. Greece asks for 183 days every year. TRE asks for commitment over a lifetime horizon — which is exactly what we are offering in return.*

3.7 The US Track — FTC Compatibility

American participants present a specific design challenge that must be acknowledged and managed without allowing it to dominate the main architecture. The United States taxes its citizens on worldwide income regardless of where they reside. A US citizen paying NZD 600,000 per year in flat contribution to New Zealand cannot apply that contribution as a foreign tax credit against their US tax liability in the same way they would a conventional income tax payment — because the flat contribution is not levied on a specific income amount but on all foreign-sourced income in aggregate.

The design response is a two-track architecture. Non-US participants use the standard flat contribution as described. US participants elect into a modified structure in which the contribution is re-characterised as a tax on a deemed income amount, calculated at a rate that generates a usable FTC, but capped to match the flat tax obligation. The mechanics of this re-characterisation — the deemed income formula, the interaction with IRC §877A and the US exit tax rules, and the Extended RAM relationship for the transitional period — are set out in Annex B. The US track is not a concession that advantages US participants over others. It is a technical adaptation that produces a substantially equivalent outcome for US participants as the standard track produces for everyone else.

Americans represent 40% of current AIP applicants. Getting the US track right is not peripheral to TRE's success. It is central to it. The Extended RAM provisions currently working through New Zealand's legislative process provide partial relief for US citizens during the transitional period — an important step that TRE builds upon rather than replaces.

3.8 The Wealth Migration Ambassador Credit

The Wealth Migration Ambassador Credit is designed to put new wealth migrants to work recruiting their peer group to join them in moving their families and their wealth to New Zealand.

The evidence that this channel works predates the regime it is designed to serve. In December 2025, the author of this proposal published an episode of his MacroVoices podcast — by multiple measures the leading institutional investment podcast in the English-speaking world, with a listener base of professional and institutional investors — discussing New Zealand's investment settings and the case for relocating here. Within 30 days, more than 15 AIP applications cited the episode as their referral source. One hour of content, distributed through a peer network of professional investors, generated more AIP applications than government marketing produced in comparable periods. This is not an anecdote about one effective podcast. It is a demonstration of mechanism: HNWI households make major settlement decisions based on what their peers have done. The WMAC is designed to activate that mechanism at scale and to make it self-sustaining.

The mechanics are straightforward. The WMAC operates as a contribution reduction — not cash — available to existing participants who introduce a new participant who subsequently elects into the regime and pays their first year's contribution. The credit is equal to half of the introducer's first-year flat contribution at their election-date rate. The credit is not issued until the new participant has paid their first year's contribution to IRD — if the new participant elects but departs without paying, no WMAC is triggered. The Crown takes no credit risk.

Italy's growth from 226 to 1,495 participants over six years was not driven by government marketing or intermediary channels. It was driven by HNWI network effects: one relocated family office told another; one hedge fund founder introduced the programme to two colleagues; one US tech executive in Milan recommended it to three San Francisco contacts. Wealth at this level is managed through networks of trust — family offices, private banks, peer communities — and those networks are the primary distribution channel for any product that requires this level of commitment and disclosure.

The credit is available only to existing TRE participants — not to paid intermediaries such as lawyers, immigration advisers, or accountants. This distinction is deliberate: intermediaries have a financial incentive to refer regardless of fit, and their referrals carry correspondingly less weight in the HNWI community. Peer referrals from actual participants carry social proof that no intermediary can replicate. The credit is single-level: an introducer earns credit for direct introductions only, not for introductions made by the person they introduced. Associated persons (as defined under the Income Tax Act) are not eligible. The credit cannot be transferred or monetised. Credits may, however, accumulate beyond the amount required to offset a single year’s contribution and carry forward indefinitely. A participant who earns two WMAC credits in one year but only needs one to cover that year’s contribution retains the unused credit as a reduction against future annual contributions, with no expiry. There is no ceiling on how many credits a participant may earn across their 16-year term: a well-connected participant who introduces several qualifying households in a single year accumulates credits across all introductions, even if they exceed that year’s contribution. Those credits reduce future annual obligations until exhausted. The Crown benefits regardless: each new participant’s first year generates NZD 300,000 immediately (the uncredited half), and full contributions from year two onwards. Accumulated credits are a deferral, not a forgiveness.

Half a year's flat contribution credit at the launch rate represents NZD 300,000 in value to the introducer — half of the NZD 600,000 the new participant pays in year one. The Crown collects the other NZD 300,000 immediately, with no waiting and no credit risk. From year two onwards, the Crown collects the full NZD 600,000 annually from the new participant while the introducer's credit has already been discharged. This works like a letting commission: the agent takes the first month's rent when a lease is signed, and the landlord gets the remaining eleven months in year one and the full rent every subsequent year. A programme that grows by 100 additional participants through WMAC introductions generates NZD 30 million for the Crown in year one (the uncredited half of each new participant's first contribution) and NZD 60 million per year from year two onwards — while the introducers collectively receive NZD 30 million in one-time credits that cost nothing beyond the foregone half-year revenue already accounted for.

> *The WMAC turns every satisfied participant into a recruitment channel — without paying intermediaries, without government advertising, and without the credibility deficit that comes from official promotion. The world's wealthiest households make decisions based on what their peers have done. The WMAC makes TRE participants our most effective sales force.*

3.9 Integrity Architecture

TRE is designed to attract genuinely foreign-origin wealth into New Zealand on a permanent basis — not to allow New Zealand-origin wealth to round-trip through offshore structures and return under a preferential label, and not to create paper-address arrangements that generate contribution revenue without genuine residential commitment.

The qualifying offshore capital principle (detailed in Annex C) establishes the foundational integrity rule: the flat contribution applies only to income attributable to wealth that was not originally earned in New Zealand. A New Zealand-born citizen who built wealth here, took it offshore, and returns claiming transitional residency cannot treat that wealth as foreign-sourced for TRE purposes. The rule is straightforward in principle and requires detailed technical treatment in the annex — the description above should suffice for policy purposes.

Source-of-funds and source-of-wealth verification is required as a precondition for election, consistent with New Zealand's AML/CFT framework and the enhanced due diligence standards that apply to politically exposed persons and high-value transactions. This is not a new compliance burden — it mirrors what is already required under the AIP programme and what reputable private banks apply as standard practice for clients at this wealth level.

Lapse conditions are limited and clearly defined: failure to accumulate 1,440 days by the end of the 16-year term triggers lapse of the regime from that point, with all foreign income from the lapse date taxable under standard rules. Voluntary withdrawal is permitted with 90 days' notice; the contribution obligation ceases at the withdrawal date and standard rules apply from that point. There is no exit charge for withdrawal — the grandfathering principle runs in both directions, and participants who leave early impose no cost on the Crown beyond the foregone future contributions, which the Crown never had a claim to in the first place.

3.10 Why This Works When Patches Do Not

Part One described a two-stage decision. The shortlist test — stage one — is the entry requirement that New Zealand currently fails before evaluation begins. The selection — stage two — is where New Zealand would win decisively on safety, environment, language, and stability, if it ever reached the room where the decision is made. The entire architecture of Part Two was a diagnosis of why New Zealand fails stage one. Part Three is the resolution.

The HNWI household considering permanent New Zealand settlement is not making a decision about one tax rule. It is making a decision about a tax architecture — a system, not a statute. The question its family office is asking is not 'what is the FIF rate?' It is 'can we create a stable, predictable, internationally competitive tax position in New Zealand that we can commit to for the full duration of our residency?' The answer to that question, under the current system and under any architecture of targeted patches, is a resounding **no** — because each patch creates certainty about the thing it patches and uncertainty about everything it does not.

TRE answers **yes**, decisively. It does so by replacing the system with a single number — the annual flat contribution — that is known at election, fixed for 16 years, and not contingent on any external variable: not asset values, not exchange rates, not the classification of income by IRD, not the interaction with offshore tax rules in other jurisdictions. The contribution is the tax. It is the same whether the participant has a good year or a bad one, whether their offshore fund distributes income or retains it, whether their derivatives positions generate gains or losses. That certainty is not a concession to the market — it is the product that HNWI households have demonstrated they will pay for, in Italy, in Switzerland, and in every jurisdiction that has offered it.

New Zealand holds a structural advantage over every jurisdiction competing for this capital. The geopolitical premium, the English-language common-law framework, the natural environment, the rule of law — these are not manufactured. They are facts no marketing budget can replicate and no competitor can copy. What was missing was a product that put New Zealand on the shortlist where those facts could be evaluated. TRE is that product.

The German industrialist, the London financier, the Hong Kong family office — they are on the market right now, making the decisions that will define where they spend the next two decades of their lives. Under current settings, their advisers screen New Zealand out at stage one, and these households are never told what stage two would have shown them. TRE changes what their advisers tell them. From there, New Zealand closes the deal.

3.11 Fully Compatible with OECD Guidance, CRS Standards and International Precedent

Ministers evaluating this proposal are expected to question whether TRE could attract OECD criticism or place New Zealand in breach of its international commitments. This concern is understandable but factually unfounded. TRE is fully compatible with OECD guidance, CRS standards, and established international precedent. Five points establish this beyond reasonable dispute.

What the OECD Actually Covers	What TRE Is
FHTP / BEPS Action 5 326 regimes reviewed — all corporate (IP boxes, headquarters regimes, shipping regimes). Personal income tax regimes explicitly outside scope.	**Personal income tax regime** Extension of NZ's existing transitional tax residency (in place since 2006, catalogued by OECD in June 2024). Not a corporate structure.
CBI/RBI "High-Risk" Threshold Tax rate <10% on offshore assets AND <90 days physical presence. Targets Caribbean passport-selling operations.	**Exceeds both thresholds** NZD 600K–1M+ annual contribution (well above 10% effective rate). 1,440 cumulative days over 16 years (~90 days/yr average).
OECD Member Precedent Italy, Switzerland, Denmark, Netherlands, Spain, Greece all operate preferential personal regimes. None criticised by OECD.	**Same category, better design** TRE extends NZ's own existing OECD-catalogued transitional residency, with higher contribution rates and genuine residency requirements.

First, the OECD's harmful tax practices framework covers only corporate taxation. The Forum on Harmful Tax Practices (FHTP), established in 1998 and operationalised through BEPS Action 5, has reviewed 326 regimes — every single one a corporate or business tax structure (IP/patent boxes, headquarters regimes, shipping regimes, international business companies). A 2022 European Parliament study confirmed explicitly that both the OECD guidelines and the EU Code of Conduct focus on corporate income taxation only. Personal income tax regimes like TRE are simply not within the FHTP's scope. Italy's €300,000 imposta sostitutiva and Switzerland's forfait fiscal have never been reviewed by the FHTP because personal income tax regimes fall outside its mandate.

Second, the OECD's CBI/RBI guidance targets a completely different category. The OECD's guidance on citizenship-by-investment and residency-by-investment schemes (first published October 2018) addresses preventing misuse of such schemes to circumvent the Common Reporting Standard (CRS). It flags schemes as "potentially high-risk" only when they offer personal income tax rates below 10% on offshore financial assets and require fewer than 90 days of physical presence. The guidance targets jurisdictions like Antigua and Barbuda, Dominica, St. Kitts and Nevis, and Vanuatu. TRE's residency requirement of 1,440 cumulative days over 16 years (~90 days per year average) exceeds the 90-day threshold. The OECD itself states the guidance's "sole objective" is providing financial institutions with tools to identify CRS circumvention, not evaluating whether countries should offer preferential tax rates. Furthermore, the OECD guidance in question relates only to residency and citizenship progams; TRE is neither. TRE is a flat-tax regime that is only available to people who have already qualified for residency. See Section 3.11 below for more detail.

Third, the OECD itself catalogued flat-tax regimes as legitimate policy tools. OECD Migration Policy Debates #35 (June 2024), titled "Why do OECD countries offer tax relief programmes to attract foreign migrants and returning nationals?" catalogued flat-tax rates for migrants across OECD countries — including Italy, Denmark, Korea, and New Zealand's own transitional residence — in entirely neutral terms, describing them as legitimate policy tools backed by "growing evidence that tax treatment may play a role in individual and family migration decisions." It did not condemn or recommend against any programme. This is the OECD treating these regimes as accepted instruments of migration policy.

Fourth, multiple OECD founding members operate preferential personal regimes without OECD criticism. Italy (Regime 24-bis, €300,000 flat tax on foreign income), Switzerland (forfait fiscal, operating since 1862), Denmark (preferential flat rate for high-earning foreign workers since 1991), the Netherlands (30% ruling for expatriates), Spain (the "Beckham Law" offering 24% flat rate on employment income), and Greece (€100,000+ flat tax on foreign income) all maintain preferential personal tax regimes. If the OECD opposed these policies, it would have acted against its own founding members. It has not. No OECD peer review, recommendation, or press release has criticised any of these programmes.

Fifth, TRE literally extends New Zealand's own existing OECD-compliant transitional residency. New Zealand's transitional tax residency has been part of NZ law since 1 April 2006 — twenty years. It is already OECD-catalogued in the June 2024 policy brief alongside Italy, Denmark, and Korea. TRE simply proposes charging a flat fee and requiring larger NZ investment in exchange for extending that existing mechanism beyond its current four-year window. This is a settings adjustment to an existing, proven, OECD-compatible policy — not a new programme that could attract OECD criticism or political risk.

3.12 TRE Is Not an Immigration Pathway

TRE is available only to people who have already qualified for transitional tax residency through existing immigration pathways — primarily AIP. The pathway is: AIP visa → physical relocation → transitional residency → elect into TRE. AIP's screening is the safeguard against bad actors. TRE has nothing to do with who enters the country — it is pure post-transitional tax architecture.

This distinction is critical for political messaging. Opponents of preferential tax regimes frequently conflate tax policy with immigration policy, raising concerns about "selling visas" or "buying residency." TRE does neither. Immigration Minister Stanford's AIP programme determines who enters New Zealand and on what terms. TRE determines only what happens to the tax treatment of foreign-sourced income after a person who has already been admitted, already relocated, and already completed their transitional residency period elects to stay. The integrity of New Zealand's immigration system is preserved entirely — TRE sits downstream of it, not alongside it.

Source-of-funds and source-of-wealth verification required under AIP, combined with the enhanced due diligence standards that apply under New Zealand's AML/CFT framework, provide the integrity layer that any responsible programme requires. TRE adds no new immigration pathway and creates no new entry mechanism. It simply makes the tax architecture on the other side of AIP's front door rational for permanent settlement.

AIP determines who enters New Zealand.
TRE determines what happens after they stay.

3.13 Grandfathering for Those Who Already Left

At programme launch, anyone who qualified for transitional tax residency at any time in the prior 10 years has the right to elect into TRE during a 2-year grace period. After the grace period, standard election rules apply: participants must elect before their transitional residency expires.

The rationale is straightforward. The households that New Zealand most needs to attract include those who already came, experienced our tax architecture first-hand, and left — or were advised to leave — before Month 49. These are people who chose New Zealand once. They know the country, they may still own property here, and their children may have attended New Zealand schools. They left not because they disliked New Zealand but because our post-transitional tax settings made staying irrational. TRE fixes the problem that caused them to leave. Excluding them from the fix would be both unjust and economically irrational — every returning household generates the same NZD 600,000–1,000,000+ annual contribution as a new arrival, with the added benefit that their settlement costs are lower because they already know the country.

The 10-year lookback window is calibrated to capture the most recent cohorts who were affected by the current tax settings — particularly the early AIP participants whose transitional residency has already expired or is about to expire. The 2-year grace period provides enough time for the programme's existence to reach these former residents through their advisory networks and for them to make an informed return decision. After the grace period closes, no further retrospective elections are available.

GRANDFATHERING TIMELINE FOR FORMER RESIDENTS			
10-Year Lookback Anyone who qualified for transitional residency in the prior 10 years	**2-Year Grace Period** From TRE launch date: eligible former residents may elect into TRE	**Grace Period Closes** No further retrospective elections available	**Standard Rules Apply** New participants must elect during transitional residency

3.14 Future Extension: Entrepreneurial Track

TRE's architecture could be expanded to accommodate high-value entrepreneurs who cannot afford NZD 600,000 per year in flat contribution but can make equivalent-value contributions through job creation, IP development, or other measurable economic impact. A software founder building a 50-person engineering team in Auckland, or a biotech entrepreneur establishing a research laboratory in Christchurch, may generate more long-term value for New Zealand than a passive investor paying the flat contribution — but the current TRE pricing would exclude them.

This is acknowledged as a future extension, not designed in this proposal. Qualification criteria — including minimum job creation thresholds, IP domiciliation requirements, and verification mechanisms — should be defined during the IRD/Treasury design phase. The entrepreneurial track should not delay TRE's launch: the programme should be enacted for HNWI households first, with the entrepreneurial extension added by amendment once qualification criteria have been properly designed and tested.

Parts Four and Five of this document address what we can expect to achieve once we are in the room — and the urgency of acting before the window that has opened, briefly and unexpectedly, closes again.

Technical detail: Annex A contains the full TRE term sheet including all parameter definitions, election mechanics, lapse conditions, and the qualifying investment category definitions. Annex B contains the US Track FTC compatibility analysis. Annex C contains the Qualifying Offshore Capital / NZ-Origin Capital distinction and its application to returning New Zealanders. Annex D contains the full evidence citation set referenced in Part Two.

PART FOUR

Geopolitical Tailwind: Remoteness as Premium

The asset New Zealand has always had — but has yet to pair with tax settings that let it do its work

4.1 The Inversion: When Distance Became the Asset

For most of New Zealand's history, being at the end of the earth was a liability. The investment migration industry measured destinations by proximity to markets, by connectivity to capital, by ease of access to global business hubs. On all those measures, New Zealand performed poorly. It was, and remains, remote.

On February 24, 2022, that calculus began to change — and it began to change not just for European households watching a land war on their continent's eastern edge, but for American ones watching a different kind of instability from the other side of the world.

The Russian invasion of Ukraine did not merely trigger a humanitarian crisis and a geopolitical realignment. It shattered a belief that had quietly organised the European wealth management ecosystem for 30 years: that the continent's borders were settled, that great-power war was a historical concept, and that Western Europe's liberal order was self-sustaining. The families who had structured their wealth around that belief — with estates in Tuscany, children in Swiss boarding schools, family offices in Geneva or Frankfurt — had not been reckless. They had been rational, given what the world appeared to be. The world turned out to be something different.

Switzerland (OECD)	900 km	Ukraine
Italy (OECD)	1,400 km	Ukraine
UAE / Dubai	72 km	Iran (struck Feb 2026)
Singapore	1,400 km	Taiwan Strait
New Zealand	**17,000 km**	**from all conflict zones**

On February 28, 2026, as this document was being finalised, that calculus changed again — and this time the shift landed directly on the world's largest and most celebrated wealth migration destination. US and Israeli forces struck Iran in a joint operation. Iran retaliated against all six Gulf Cooperation Council states, and the UAE absorbed the heaviest bombardment: 167 ballistic missiles and 500+ drones launched over the following days. Iranian Shahed-type drones struck the Burj Al Arab hotel and set fire to the Fairmont The Palm. Dubai International Airport was hit, prompting Emirates to suspend all flights and cancelling over 21,000 departures region-wide. Jebel Ali Port — through which 36% of Dubai's GDP flows — was damaged and operations suspended. A cloud data centre caught fire. Smoke rose near the Burj Khalifa. Dubai's stock exchanges closed for two days. The Strait of Hormuz, through which 20% of the world's oil passes, was effectively closed to commercial shipping. For the Hong Kong family office principals, London financiers, and Silicon Valley founders reading those headlines — many of whom had been told by their advisers that Dubai was the world's pre-eminent *safe* haven for mobile capital — the safety premium arguments made throughout this Part are no longer theoretical. They are the news cycle. The argument did not need to be made more urgent. Events made it so.

FEBRUARY 28, 2026: IRAN ATTACKS DUBAI			
167 *ballistic missiles*	**500+** *drones launched*	**21,000+** *flights cancelled*	**72 km** *Dubai to Iran*

The German industrialist introduced in Part 1 has spent three years watching what "something different" looks like in practice. The rearmament debate in the Bundestag. The Taurus missile controversy. The Bundeswehr budget approaching 5% of GDP. The infrastructure strikes on Ukrainian cities that reach further west each month. He does not know what the next decade holds. Neither does anyone else. But he has done what industrialists do: he has assessed the risk, and he has begun to price distance.

A Silicon Valley technology founder is running a different calculation, but arriving at the same coordinates. She is not watching missile trajectories. She is watching the institutional assumptions on which she built her professional life — regulatory predictability, judicial independence, the rule of law as a constant rather than a variable — being contested in ways she did not think possible five years ago. Her anxiety is political and institutional rather than military. But the conclusion it generates is identical to the German industrialist's: somewhere genuinely far away, in a country with no adversaries and no entanglements, looks considerably more attractive than it did.

Distance from what, exactly? For the German, from a continent whose three largest economies all recorded their first-ever net losses of millionaires in a single year. For the American, from a political environment that 40% of women aged 15 to 44 — and one in five Americans overall — have told Gallup they would leave permanently if they could. The anxieties are different. The destination they point toward is the same.

New Zealand has no answer to any of those anxieties that requires explanation. The answer is the coordinates.

> *The same geographic fact that made New Zealand a disadvantaged destination for wealth migration has inverted in meaning.* ***Distance is now the product.*** *New Zealand does not need to explain why it is safe. It needs to explain why it has not yet crafted a wealth migration incentive capable of attracting tens if not hundreds of billions to the country, as opposed to keeping antiquated tax settings that actively discourage it.*

4.2 The Market Has Already Priced This In

New Zealand does not need to convince the world's wealth migration industry that it is safe. The industry has already reached that conclusion. What New Zealand has not yet done is offer a tax regime that gives the households already seeking backup-plan distance from European and American instability a reason to make New Zealand their permanent home rather than a paper backup-plan option.

Henley & Partners — the firm whose research informs the investment migration decisions of the wealthiest households in the world — has explicitly named New Zealand as a member of its "Safe Haven 8": the handful of jurisdictions globally that combine political stability, rule of law, geographic security, and infrastructure quality at a level that justifies the designation. The Safe Haven 8 is not a marketing claim. It is a professional standard-setter's assessment, made by a firm whose revenue depends on giving clients accurate information about where to put their families.

In April 2025, a partner at Withers — one of London's leading private wealth law firms — described a pattern that had become routine in its client work: households seeking New Zealand residency specifically to be as far away from instability as possible. The London legal community is already routing clients toward New Zealand on safety grounds, from both sides of the Atlantic. Almost none are taking up tax residency, because their advisers simultaneously explain that the post-transitional architecture makes permanent settlement irrational. The safety premium and the tax problem are both present in the same conversation. TRE resolves the latter.

Immigration Minister Erica Stanford confirmed this demand on Bloomberg in April 2025, describing AIP interest as "red hot" and driven by geopolitical anxiety. But the data beneath that headline tells a different story: thousands of households have expressed interest, yet the number who have elected New Zealand tax residency is a small fraction, because the post-transitional architecture deters the final step.

Gary Lynch, General Manager of Rising S Bunkers, has no particular reason to promote New Zealand. His company sells hardened bunkers to wealthy clients globally — people who take physical security seriously enough to pay for it. His assessment of New Zealand was offered without any commercial interest in the outcome: "New Zealand is an enemy of no one. It's not a nuclear target. It's not a target for war." The bunker industry's view of New Zealand's safety premium is not a compliment. It is a commercial judgment that applies with equal force whether the client asking the question lives in Frankfurt or San Francisco — and that currently generates backup-plan visas rather than permanent residency, because New Zealand's tax settings have not yet given those clients a reason to commit.

Safe Haven 8	New Zealand's designation by Henley & Partners as one of eight jurisdictions globally offering genuine geopolitical safe-haven status — a designation that resonates equally for European households assessing conflict risk and American households assessing institutional risk.	Henley & Partners 2025
40%	Share of AIP applicants who are American (617 of 1,833 people as at February 2026) — buying backup-plan distance from US political instability. The demand for New Zealand's safety premium is real and broad-based. What current tax settings prevent is converting that demand into permanent tax residency.	INZ, February 2026
36%	Share of billionaire clients (UBS survey, 87 respondents, December 2025) citing geopolitical concerns as a relocation driver — statistically co-equal with tax efficiency at 35%, up from near-zero five years ago. Both factors point to New Zealand. Current tax settings neutralise the advantage on both.	UBS Billionaire Ambitions Report 2025

New Zealand does not need to manufacture a safety premium. The market has already assigned one. The only missing element is tax settings that don't cause UHNWI tax advisers to unanimously recommend ruling New Zealand out from consideration entirely.

4.3 Germany: The Most Unexpected Signal in the Data

One data point stands above all others as evidence that something structurally new is happening in high-net-worth migration: Germany has become a top-four source country for New Zealand's Active Investor Plus programme — without New Zealand making any deliberate marketing effort there, without a cultural or language connection, and without any of the historical Commonwealth ties that explain the United Kingdom or Canada as natural source markets.

Germany's AIP presence does not mean that significant numbers of German HNWI households have picked up and moved their families to New Zealand. It means that a meaningful cohort of German households — frightened enough by their continent's trajectory to take action, but not yet willing to commit to a permanent relocation — has acquired New Zealand residency as an insurance policy. These are backup-plan visa buyers. They have invested the AIP minimum to secure their legal option. Almost none of them have taken up New Zealand tax residency, because their advisers have told them — correctly, under current settings — that the post-transitional tax architecture makes permanent settlement economically irrational after month 48. They are keeping their options open, not planting their families.

Between 2023 and 2024, millionaire enquiries from Germany for alternative residence increased by 114%. Germany entered New Zealand's AIP top-four source countries — a list otherwise dominated by countries with natural English-language or Commonwealth migration connections. In 2025, Germany recorded its first-ever net loss of millionaires: 400 households departed, a reversal of a trend that had been pointing in the opposite direction for as long as the data has been collected. France recorded a net loss of 800 — its first ever. Spain, 500. These households didn't even buy backup-plan visas. They actually moved — to Italy, Switzerland, the UAE, and other jurisdictions whose tax regimes gave them a reason to commit. New Zealand was not on their shortlist, because its tax settings disqualified it at stage one.

New Zealand officials were surprised when Germany appeared in the AIP top four. They had not marketed there. Germany came to them — because a subset of Germany's wealthiest households looked at the trajectory of their continent and started hedging their exposure to it, willing to invest NZD 5 million for the sake of a residency option. None were willing to take up New Zealand tax residency, because no one had offered a post-transitional architecture they could live with.

The much larger question — the one this proposal is asking Ministers to confront — is how many of those option-holders would convert to permanent tax residents if TRE gave them a long-term settlement contract they could actually commit to. The AIP pipeline already contains hundreds of households sitting on New Zealand residency rights but not exercising them because doing so would be irrational under current tax settings. Beyond that pipeline lies the considerably larger cohort of German, French, Dutch, and other European HNWI households who assessed New Zealand's safety premium, concluded it was exactly what they needed, and then had their advisers explain that the tax settings made it a non-starter. Those households didn't even buy backup-plan visas. They simply ruled New Zealand out.

TRE changes both calculations simultaneously. For the AIP option-holder already holding a New Zealand residency visa, it provides the post-transitional certainty that converts a backup plan into a permanent home. For the household that ruled New Zealand out at stage one, it removes the disqualification that prevented the evaluation from proceeding. Germany's unexpected presence in the AIP top four is not the story. It is the opening chapter of a story that TRE writes.

+114%	Increase in millionaire enquiries from Germany for alternative residence, 2023–2024. Germany is a top-four AIP source country — representing backup-plan visa demand from households who see New Zealand's value but cannot commit to tax residency under current settings. TRE converts the option into a decision.	Henley & Partners 2025
−400	Net millionaire outflow from Germany in 2025 — the country's first-ever recorded net loss. These households actually moved: to Italy, Switzerland, and the UAE, whose tax regimes made permanent commitment rational. New Zealand was not on their shortlist. TRE puts it there.	Henley / New World Wealth 2025
44%	Share of billionaires under 54 (UBS survey) who actually relocated in 2025 — not considered it, not made enquiries, but moved. These households went to jurisdictions that gave them a reason to commit. TRE gives them a reason to choose New Zealand instead.	UBS Billionaire Ambitions Report 2025

The German signal will not remain unique to Germany for long. The conflict dynamics driving German anxiety are European problems that Germany is experiencing most acutely. France recorded its first-ever net loss of millionaires in 2025 (−800). Spain lost 500. As these anxieties radiate across the continent, advisers will tell those households the same thing German advisers say now: New Zealand is exactly the right answer on safety and distance, and exactly the wrong answer on tax. TRE removes the second half of that sentence.

Meanwhile, Americans already constitute 40% of AIP applicants — buying backup-plan distance from institutional instability, not military conflict. Like the Europeans, the overwhelming majority are buying options, not moving, because the post-transitional tax architecture makes permanent residency irrational. TRE converts their backup plan into a permanent settlement decision.

4.4 Safety Makes the Tax Case Stronger

Part 1 established the two-stage decision: does a jurisdiction pass the tax entry test? If not, evaluation ends before its other qualities are ever assessed. New Zealand fails that test under current settings. TRE solves it. That is its primary purpose, and it is sufficient. A jurisdiction that passes the tax entry test and then offers New Zealand's combination of English-language rule of law, democratic stability, natural environment, and geographic isolation from every active conflict zone wins stage two without contest. Parts 1 through 3 make that case. This Part adds a dimension to it.

What has changed since 2022 is not that HNWI households have stopped caring about tax efficiency — they have not, and never will. What has changed is the relative weight of the second-stage evaluation factors for the households that make it to stage two. Safety and geopolitical stability have moved from peripheral to central. Henley & Partners' 2025 reporting characterises the current migration wave in explicitly defensive terms. The UBS Billionaire Ambitions Report 2025, surveying 87 billionaire clients in

December 2025, found that geopolitical concerns drove 36% of relocation decisions among the households that had already resolved the tax question — statistically indistinguishable from tax efficiency at 35%. Five years ago, geopolitics barely registered as a migration driver among shortlisted jurisdictions. It is now co-equal with the financial calculus that has historically dominated these decisions. Knight Frank's European Lifestyle Report 2025 found that security ranked above lifestyle, above education, and above every other factor when HNWI households evaluated jurisdictions they had already shortlisted as tax-competitive.

36% vs 35%	Security #1
Geopolitical concerns vs tax efficiency as relocation driver — statistically indistinguishable	*Ranked above lifestyle, education, and all other factors when evaluating shortlisted jurisdictions*
UBS Billionaire Ambitions Report 2025	*Knight Frank European Lifestyle Report 2025*

The safety premium this creates operates identically for European and American buyers, even though the underlying anxiety differs. For the German industrialist, safety means distance from military conflict and the possibility of its escalation. For the Silicon Valley founder, safety means distance from political instability and the erosion of institutional predictability. Both households, once they pass the tax entry test and begin evaluating destinations in earnest, are asking the same question: which of the jurisdictions on this shortlist is genuinely, verifiably, unambiguously far from the problem? The answer to that question — for both of them, regardless of which problem they have in mind — is New Zealand.

The practical consequence is this: on the current shortlist — the jurisdictions that already pass the tax entry test — New Zealand does not yet appear. When it does appear, via TRE, it does not compete on tax alone. It competes on tax plus a geopolitical safety premium that no European or Middle Eastern jurisdiction on the existing shortlist can replicate, and on an institutional stability premium that no jurisdiction currently experiencing acute political volatility can match. The households doing this evaluation are not choosing between equally safe destinations at different price points. They are choosing between a set of European and Gulf jurisdictions with acknowledged proximity to geopolitical risk, an American environment whose institutional reliability is actively contested, and one jurisdiction — New Zealand — that sits entirely outside both risk categories.

That asymmetry compounds the case for action. TRE puts New Zealand on the shortlist. The safety premium then does what New Zealand's geography has always done for this country, but has never previously been able to demonstrate in a wealth migration context: it closes the deal, decisively, for every household — American, European, or Asian — whose priority is not just an acceptable tax regime but a fundamentally different geographic and institutional position.

> *Tax competitiveness gets New Zealand into the room. Geography ends the conversation. TRE is the entry ticket that New Zealand has never previously offered.*

4.5 No Competitor Can Follow

Every flat-tax jurisdiction currently competing for the households whose advisers have already cleared the tax entry test has one problem New Zealand does not: it is in or near the instability these households are trying to leave.

Italy is the most comparable programme to TRE in design, pricing, and tenure. Its growth from 226 participants at launch in 2018 to 1,495 by 2023, through two successive price increases with full grandfathering, is the proof of concept on which TRE is explicitly modelled. Italy has demonstrated that a government can build a priced, long-duration flat-tax regime and watch it grow consistently through repricing. New Zealand has studied that trajectory carefully.

Italy cannot solve one problem for a German industrialist who wants to be somewhere far from Germany. It is in Europe — sharing the same continent, the same energy vulnerability, the same NATO-adjacent exposure. Nor can it solve the American founder's problem: she is not looking for a different European country. An Italian flat-tax residency is a tax solution at a European address. For the household whose stage-two evaluation now includes genuine geographic distance from instability, Italy's answer to the safety question is that it does not have one.

Switzerland offers its lump-sum arrangements — indefinite tenure, canton-specific presence requirements, a regime whose prestige is established over generations. Switzerland's brand as a safe haven predates the current crisis by a century. And yet Switzerland is, geographically, in the middle of the continent whose trajectory is the source of anxiety. A household in Zurich is 900 kilometres from the Ukrainian border. A household in Auckland is 17,000 kilometres from it. Switzerland and New Zealand are not in the same category of safe haven. They are in different categories entirely.

The UAE was the largest single destination for high-net-worth inflows in 2025 — 9,800 net millionaire arrivals, more than any country in the world, carrying an estimated $63 billion in transferable wealth. Dubai is home to 81,200 millionaires, 237 centi-millionaires, and at least 20 billionaires. The UAE's Golden Visa programme has issued an estimated 500,000 visas cumulatively, and its zero-tax framework was, by every measure of programme execution, a success. As of early 2026, Dubai's property market had recorded AED 917 billion in transactions in 2025 alone. These facts are worth stating clearly, because what happened next is equally clear: it took ten days to unmake four years of safe-haven brand equity.

Beginning on February 28, 2026, Iran launched sustained strikes against the UAE — 167 ballistic missiles and 500+ drones, as detailed in Section 4.1. Dubai International Airport closed; Jebel Ali Port suspended operations; the Strait of Hormuz was effectively shut to commercial shipping. Dubai sits just 72 kilometres from Iran. Iranian short-range ballistic missiles can reach Dubai in 3 to 7 minutes. This is not a theoretical vulnerability. It is a structural fact that events have now demonstrated at scale.

The wealth management response was immediate. Cinzia Bianco of the European Council on Foreign Relations observed that Dubai's "very essence depended on being a safe oasis in a troubled region" and that "there is no going back." Jim Krane, Fellow at Rice University's Baker Institute, noted that Dubai's entire economic model depends on expatriate residents — who constitute 92% of its population — maintaining confidence in the city's stability. Within days, private wealth lawyers in Singapore reported that 10 to 20 family offices per firm had contacted them about moving assets out of Dubai. Patrick Tsang, a Hong Kong family office founder, told Bloomberg: "If you're an expat, why would you take the risk with your family?" Dubai's Real Estate Index fell 20% over five trading sessions, erasing all of 2025's gains, with Palm Jumeirah properties reportedly available at 20 to 35% discounts from distressed sellers. 92% of Dubai's residents are foreign nationals. The city's economic model requires their confidence to function. That confidence is now, by the testimony of the industry's own leading voices, structurally damaged.

> *"If you're an expat, why would you take the risk with your family?"*
> *— Patrick Tsang, Hong Kong family office founder, to Bloomberg*

The dominant response among wealth advisers is not that Dubai is finished — it may recover — but that the principle of geographic hedging has been viscerally validated. Dominic Volek, Head of Private Clients at Henley & Partners, stated in the days following the strikes that the events “reinforce a core principle we often discuss with clients: the value of global optionality. Internationally mobile families typically diversify their residence and citizenship exposure across multiple regions so they retain flexibility in the face of geopolitical uncertainty.” What this means in practice: the households who built their entire safety architecture around Dubai — and there are tens of thousands of them — are now actively looking for a jurisdiction that can serve the function Dubai was supposed to serve: genuinely, verifiably, structurally removed from the instability they are trying to escape. New Zealand is 17,000 kilometres from Dubai. It is not in the Gulf, not adjacent to it, not dependent on the Strait of Hormuz. For the American household already alert to institutional risk at home, the Middle East has never registered as an answer to the question they were asking. For the households who tried to make it one, events have now clarified the answer.

Singapore is the most sophisticated comparison. Its territorial tax system and Global Investor Programme made it the dominant destination for Asian high-net-worth relocation for more than a decade. Between 2020 and 2024, Singapore's single family office count grew from 400 to over 2,000. The programme was, by every measure, a success — so successful that Singapore is now deliberately moderating it. The city-state is declining renewals, raising investment thresholds, and making permanent residence discretionary. It has reached saturation and is intentionally signalling that it does not want the next wave of applicants at the pace it accepted the last one.

This is not a criticism of Singapore's programme management. It is a rational response to infrastructure constraints in a city-state. But the policy signal is unambiguous: Singapore is stepping back from the market that New Zealand can now claim. No reasonable observer can characterise New Zealand's decision to build a credible wealth migration regime as poaching from a programme whose operator has publicly indicated it is restricting intake. Singapore's deliberate retreat is an opening, even if it was not offered as one.

The same principle applies, more bluntly, to Australia. The Significant Investor Visa (SIV) was not restructured or reformed. It was killed — by a government that won re-election in May 2025 with no platform commitment to reinstate it. Australia's SIV operated in the same geographic and cultural market that New Zealand occupies. It targeted the same household profile. It attracted the same source countries. It is gone, and Australia made that choice deliberately, knowing what it was walking away from.

New Zealand is not poaching Australia's market. Australia chose to abandon it. Claiming the market that a peer country intentionally vacated is not opportunism. It is prudent policy. And the political framing is equally clear: no ally can object to a neighbour entering a market the ally chose to exit. The SIV's elimination was Australia's decision, made with full knowledge of its consequences. New Zealand has no obligation to leave the market empty.

The Competitive Stage

The competitive landscape, viewed through this lens, looks different than it did three years ago. The supply of high-quality, English-speaking, politically stable wealth migration programmes has contracted sharply — the UK's Tier 1 closed in 2022, Ireland's Immigrant Investor Programme wound down in 2023, Spain's Golden Visa closed in April 2025, Australia's SIV was eliminated in the same year — at precisely the moment when demand has accelerated to its highest level in recorded history, drawing from both European and American source markets simultaneously. New Zealand would not be entering a crowded market. It would be entering a market whose closest natural competitors have successively exited, and whose backup-plan visa holders are sitting on unexercised residency rights, waiting for a post-transitional tax architecture that makes committing to New Zealand permanently a rational decision.

Jurisdiction	Annual Cost	Safety	Settlement Contract	Key Risk
Italy (OECD)	€300K/yr	IN EUROPE	Statutory ✓	1,400 km from Ukraine
Switzerland (OECD)	CHF 400K+/yr	IN EUROPE	Cantonal ✓	900 km from Ukraine
UAE/Dubai	Zero	STRUCK	Discretionary	72 km from Iran hit Feb 2026
Singapore	Zero	AT RISK	In retreat	Taiwan Strait risk radius
UK (FIG) (OECD)	Full rates from Year 5	IN EUROPE	4 yrs only	16,500 left in 9 months
NZ-TRE	**NZD 1M+ (600K+ launch)**	**MAXIMUM**	**16 yrs statutory**	**17,000 km from everything**

The Window of Opportunity will Close Soon

The wind-down of several other programmes around the world creates a supply deficit in a world of rapidly increasing demand. But the wealthy families displaced by recent geopolitical events are deciding *right now* where to move their families, and their wealth. Once these decisions are finalised, they are seldom revisited. New Zealand faces a generational window of opportunity *right now*, and it won't last long.

Feb 2022 — UK Tier 1 Investor Visa CLOSED

Feb 2023 — Ireland IIP CLOSED

2024 — Singapore GIP IN DELIBERATE RETREAT

Apr 2025 — Spain Golden Visa ABOLISHED

May 2025 — Australia SIV KILLED

2026 — **TRE**

Needs to be enacted *very soon*
International Wealth is on the move *right now.*
Reformed tax settings could bring them *here.*

9,800
millionaires chose Dubai **in 2025 alone** — then Iran struck it with 167 missiles and 541 drones
They're sorting out "Plan C" *Right Now.*

57,500
UK non-doms in active permanent relocation decisions this quarter — NZ is absent from their shortlists

4.6 What the Safety Premium Justifies: Pricing, Escalation, and the Founding Rate

TRE launches at NZD 600,000 per year — calibrated to approximate parity with Italy's current rate of €300,000 (approximately NZD 591,000 at current exchange rates). At launch, the only ongoing obligation is the annual flat contribution, precisely mirroring Italy's structure and matching it at the visible price point that advisers use to build shortlists. At the first repricing, TRE introduces a NZD 5 million qualifying investment in New Zealand assets — pre-announced at launch, grandfathered for all charter participants. After that point, a participant carries a combined NZD 10 million committed to New Zealand's productive economy before paying a single year's contribution. Italy imposes no comparable investment requirement. These are not equivalent programmes at equivalent prices; they are not intended to be.

The safety premium established throughout this Part justifies both the price and the escalation. A household paying Italy's €300,000 is buying tax certainty in a European country. A household paying NZD 600,000 is buying tax certainty in a country outside every active conflict scenario and every geopolitical risk map. Italy's own trajectory — €100,000 in 2017, €200,000 in August 2024, €300,000 in January 2026, all with full grandfathering — demonstrates that a priced, long-duration programme will grow through successive repricing. Italy raised its price three times because demand justified it. New Zealand's escalation will follow the same dynamic, amplified by a safety premium no European programme can match. The escalation model is not a pressure tactic. It is an honest description of a product whose underlying value is increasing.

The events of late February 2026 have compressed the pricing timeline dramatically. Dubai — the jurisdiction that attracted 9,800 millionaires in 2025 alone — has just had its penthouse hotels and port infrastructure struck by 167 Iranian ballistic missiles and 500+ drones. A significant fraction of Dubai's 81,200 resident millionaires and 500,000+ Golden Visa holders are actively reconsidering their positioning. The global wealth migration industry is re-evaluating every assumption that underpinned Dubai's dominance. A New Zealand flat-tax announcement made now enters a market in active crisis, speaking directly to households searching for exactly what New Zealand offers. A delay of months means arriving after the crisis has stabilised and attention has moved on. Time is of the essence.

The German industrialist with his backup-plan visa, the London financier displaced by non-dom abolition, the Silicon Valley founder who found New Zealand twice on Gallup surveys, the Hong Kong family office deciding where rather than whether to relocate, and the Dubai-based Indian entrepreneur who watched a drone strike light up the hotel he could see from his apartment — each is waiting for a post-transitional tax architecture that makes permanent settlement rational. TRE is that architecture. **The question of whether they receive it in time is, in large part, a question of whether New Zealand moves quickly enough to be in the conversation.**

> *New Zealand's geographic isolation was, for most of its history, a cost that had to be overcome. It is now a premium that could leverage a generational transformation of New Zealand's economy. TRE facilitates that transformation.*

Part 5 places TRE beside every alternative these households are actually evaluating — in detail, line by line — and examines the competitive landscape in terms that a family office adviser can use directly when recommending a jurisdiction to a client who has already decided to move.

PART FIVE

Competitive Landscape

The evaluation every family office adviser is running — and why it ends at the same address

5.1 The Adviser's Matrix

The London financier has made his decision. He left the United Kingdom when the non-dom regime ended in April 2025, joining the 16,500 millionaires who departed that year. He has retained a private wealth law firm in Mayfair and given a clear instruction: build me a comparison of every viable programme. He wants to see the numbers, the conditions, the risks, and the exit options. He has done this before. He knows exactly what he is asking for.

His adviser has built that comparison. It covers eight jurisdictions and seven live regimes. Every row has been stress-tested against the same household profile: a British national, fifty-three, with interests in several European private equity funds, a minority stake in an unlisted German manufacturing business, a carried-interest position that has not yet realised, and two children approaching university age. The kind of household this document has described since Part One. The kind that New Zealand's current settings have systematically excluded from consideration.

The table below is that comparison. The sections that follow are the argument behind each row of it. By the end of this Part, the adviser has one recommendation.

Regime	Annual cost	Investment requirement	Term & grandfathering	Residency required	Legal system	Geographic safety profile
Italy (Flat Tax)	€300,000 (~NZD 591k)	None	Indefinite. Grandfathered at election rate.	None formally required.	Civil law (Italian).	In Europe. No meaningful distance from continental instability. 1,300km from Ukraine.
Switzerland (Forfait fiscal)	CHF 400k–1m+ (~NZD 850k–2.1m) Canton-dependent.	None.	Indefinite; canton-specific conditions.	183+ days per year in relevant canton (varies).	Civil law (French/German).	In Europe. 900km from the Ukrainian border. No meaningful geographic separation from continental risk.
UAE (Golden Visa + Zero Tax)	Zero (territorial system).	AED 2m+ (~NZD 900k) property or business.	10-year; renewable.	Technically 6 months; unenforced in practice.	Civil law; DIFC hybrid courts.	Middle East. Adjacent to active regional geopolitical variables. Zero-tax at the wrong address.
Singapore (GIP)	Zero (territorial system).	SGD 10m+ (~NZD 12m)	5-year; renewal increasingly discretionary.	183 days/yr for tax residency.	English common law ✓	Programme in deliberate retreat. 1,400km

Regime	Annual cost	Investment requirement	Term & grandfathering	Residency required	Legal system	Geographic safety profile
		qualifying assets.	Programme moderating deliberately.			from Taiwan Strait. Urban density limits physical scale.
Greece (Non-Dom)	€100,000 (~NZD 197k).	€500,000 Golden Visa property.	Indefinite; no statutory grandfathering.	None formally required.	Civil law (Greek).	In Europe. Eastern Mediterranean. No distance from European or regional instability.
Portugal (NHR reformed)	20% flat on qualifying income.	None under NHR.	10 years; subject to further legislative revision.	183 days/year.	Civil law (Portuguese).	In Europe. Atlantic periphery. Subject to same continental risk map as all EU states.
Malta (GRP)	€15,000 min. (~NZD 30k).	€275,000 qualifying property.	Indefinite.	90 days minimum per year.	Civil/hybrid; English widely used.	In Europe. Mediterranean island, 316 sq km. No separation from European risk scenarios.
UK (FIG)	Full UK rates from Year 5.	None.	4 YEARS ONLY. No post-transitional settlement contract. Proven to drive departure at Year 4.	183 days/year.	English common law ✓	In Europe. 16,500 millionaires departed in 2025 — the cautionary tale for any regime without a settlement contract.
NZ-TRE (proposed) ★	NZD 600,000 (launch) + NZD 100,000/dependent. → NZD 1,000,000+ (mature rate).	None at launch. NZD 5m qualifying assets introduced at first repricing (additional to AIP visa investment; grandfathered for all charter participants).	16 years. Unconditional statutory grandfathering — all terms fixed at election date for full 16-year term.	Cumulative 1,440 days over 16 years (avg 90/yr). Surplus days carry forward under the rising cumulative minimum. No annual pass/fail.	English common law ✓✓ NZ legal system. English language.	17,000km from Ukraine. Outside every active conflict scenario. Absent from every credible long-horizon nuclear risk calculation. English common-law democracy at end of earth.

5.2 Italy: The Proof of Concept That New Zealand Outperforms

Italy is where this analysis begins — not because it is the strongest competitor, but because it proves the market exists, the model works, and the product can be priced. The regime launched at €100,000 in 2017 with 226 participants. It raised its rate to €200,000 in August 2024, then to

€300,000 in January 2026, grandfathering all existing participants at their election-date rate on both occasions. It grew from 226 to 1,495 participants over six years. Programmes that attract no one do not get repriced upward three times. Italy's escalation history is not a record of pricing mistakes. It is a record of a product with genuine pricing power in a market that was paying for exactly this.

TRE is built on Italy's architecture — the same design philosophy, the same grandfathering principle, the same escalation model — deployed in a jurisdiction that answers the one problem Italy cannot solve for the household now driving this market.

Italy is in Europe.

The German industrialist is not calculating whether Rome is safer than Berlin. He is calculating whether being on the European continent is safer than being somewhere else entirely. For that question, Italy provides a tax solution and nothing more. It does not provide distance from the continent that is, by any professional risk assessment available to him, the source of the anxiety that put him in motion. The London financier who departed the UK in 2025 is not looking for a better version of Europe. He is looking for a credible alternative to it.

What Italy offers is a clean, certain, administratively simple discharge of foreign-sourced income for a known annual fee — with no investment requirement, no residency obligation, no granular reporting, and a programme whose price trajectory over eight years has been both consistently upward and fully honoured. At launch, TRE enters the market in the same posture: a defined annual contribution of NZD 600,000 — above Italy's current €300,000 (~NZD 591k), but the total TRE obligation for any participant entering in the launch year. No TRE qualifying investment is required at launch; the programme imposes a cumulative residency minimum and the annual contribution. In raw annual cost terms, TRE is more expensive than Italy. In total value delivered — to the participant, to the economy that hosts them, and to the Crown — the comparison is not close.

Italy's regime produces a fiscal resident. At the first repricing — pre-announced at launch, grandfathered in full for every charter participant — TRE introduces a NZD 5 million qualifying investment requirement, separate from and additional to the AIP investment. After that point, a participant who entered via the Active Investor Plus visa and elected into TRE has committed NZD 10 million to New Zealand's productive economy before their contribution clock began. Italy asks for the fee. New Zealand asks for the commitment, and prices the fee to reflect the value of what it offers in return.

For the London financier comparing the two, the question is not whether Italy's €300,000 is cheaper than TRE's NZD 600,000. It is whether the difference in what those two fees buy justifies the difference in price. Italy buys tax certainty in a country that is 1,400 kilometres from where Germany is debating how to arm itself for a conflict that may not stop at Ukraine. New Zealand buys tax certainty at the end of the earth, in an English-speaking common-law jurisdiction with no adversaries, no military entanglements, and a democratic government whose most significant foreign policy challenge in the past decade was a biosecurity breach at the border. These are not equivalent products. Nor are they equally priced.

> *Italy proves the model. New Zealand builds on it. The annual fee is higher because the product is superior — and the household that investigates further discovers that the real comparison is not NZD 600,000 versus €300,000. It is, after the first repricing, NZD 10 million in committed capital plus an annual contribution, versus an annual fee and nothing more.*

5.3 Switzerland: The Gold Standard in the Wrong Location

Switzerland's lump-sum regime — the forfait fiscal — has existed in some form since 1862. It is the world's oldest flat-tax arrangement for wealthy foreign residents and the benchmark against which every subsequent regime is measured. Its track record is unimpeachable. Its participants, at the most recently published national figure, number 4,557 households generating CHF 821 million in annual tax revenue — approximately NZD 1.76 billion at current exchange rates. Switzerland built this programme over generations. It has never broken a commitment to a participant.

For TRE's purposes, Switzerland is not primarily a competitor. It is a reference point that establishes the upper bound of what this market will pay, and evidence that New Zealand's programme pricing is not adventurous — it is moderate by Swiss market standards. Forfait participants in cantons such as Geneva, Vaud, and Valais typically face minimum annual tax requirements of CHF 400,000 or more; in premium locations the all-in figure runs considerably higher. A prospective participant comparing TRE's NZD 600,000 launch contribution with the Swiss market range is looking at a competitive entry price, not a premium one. Switzerland's 4,557 participants chose the regime at those price levels. This market is not sensitive to price at this level. It is sensitive to certainty, stability, and the quality of what it receives in return.

What Switzerland cannot provide is distance.

A household in Zurich is 900 kilometres from the Ukrainian border, 600 kilometres from Poland, and 1,200 kilometres from Kyiv. It sits at the geographic centre of the continent whose trajectory is the source of the anxiety driving this market. Switzerland's political neutrality — maintained through two world wars and three generations of conflict in Europe's periphery — is real and historically credible. It is also a position within a continent, not outside one. A German industrialist who has spent three years watching Germany debate Taurus missile deliveries, Bundeswehr budget expansion, and the eastern flank's exposure is not asking whether Switzerland is safer than Germany. He is asking whether Switzerland is far enough from the problem to be an answer to it. The honest response, in the current environment, is that 900 kilometres is not far enough. Not for a household making a generational bet on physical security.

TRE offers Switzerland's product — flat-tax certainty, a defined commitment structure, a clear compliance architecture, unconditional grandfathering — at a price that competes with the Swiss market range, in a jurisdiction that is 17,000 kilometres from the Ukrainian border, on the opposite side of the planet from every active conflict scenario, and outside every nuclear targeting calculation that any credible risk analysis identifies as a long-horizon concern.

Switzerland resolves the tax problem from inside the risk map these households are trying to exit. New Zealand resolves the tax problem and the geography problem simultaneously. For the household that has determined — in 2026, with full knowledge of what the past four years have produced — that geography matters, there is no version of this comparison that ends in Zurich.

> *Switzerland proves that a lump-sum regime commands real pricing power and generates real revenue at scale. It is the world's gold standard for flat-tax residency — established over a century and a half, never once breaking a commitment. It is also 900 kilometres from the Ukrainian border. TRE offers the same product. At the end of the earth.*

5.4 The UAE: Zero Tax, Maximum Regional Exposure

The UAE is the world's largest net recipient of HNWI inflows — 9,800 net arrivals in 2025, more than any other country. Its Golden Visa programme has been executed with genuine operational excellence: clear processes, consistent rules, efficient administration, and a headline tax rate of zero on all income. For the household evaluating destinations on annual tax cost alone, the conversation ends before it starts.

The London financier's adviser has already moved past that frame.

A household whose primary driver is tax minimisation, with no particular anxiety about geopolitics and no strong preference for English common-law institutions, belongs in Dubai. The UAE has built a product for exactly that buyer and built it well. The substantial flow of European founders, financiers, and family office operators who have relocated to the Emirates over the past five years is evidence that this product works and that the demand for it is real.

But the Silicon Valley founder introduced in Part Four is not that household. She is not running from a tax bill. She is running from an institutional environment she no longer trusts — from a country whose regulatory predictability and judicial independence have become variables rather than constants. She is looking for a jurisdiction whose institutions she can rely on over a generational horizon. She needs a legal system she already understands. She needs a democratic framework that operates consistently with the values she has built her professional life around.

The UAE offers zero tax. It does not offer an English common-law legal system, a multi-party democracy with an independent judiciary, or a geopolitical position outside the current arc of regional instability in the Middle East. For the founder whose anxiety is institutional rather than merely financial, trading one source of institutional uncertainty for another at a different set of coordinates is not a solution. It is a relocation.

Zero tax at the wrong address is the wrong answer to the right question.

For the German industrialist, the UAE’s position in the Middle East — a region with its own active and evolving geopolitical dynamics — is not an obvious improvement on the instability he is pricing from Germany. He is measuring physical security in kilometres and geopolitical trajectories, not in tax rate cards. The Middle East does not register as far enough, by the metric he is applying.

On 28 February 2026, Iran struck the UAE with 167 ballistic missiles and more than 500 drones. The Burj Al Arab was damaged. A hotel on Palm Jumeirah was set alight. Dubai is 72 kilometres from Iran. The 9,800 millionaires who chose Dubai in 2025 — and the 26,000-plus who relocated there between 2023 and 2025 — are now reconsidering. Many are obtaining New Zealand AIP visas as a backup, but under current tax settings, converting that backup plan into permanent residence remains irrational. The event that was always theoretically possible has now actually happened. “Adjacent to regional geopolitical variables” is no longer an abstraction. It is damage visible from the penthouse.

What TRE offers that buyer is a genuine counterproposal. NZD 600,000 per year is not zero. But it is NZD 600,000 applied to sixteen years of statutory certainty, in an English common-law jurisdiction at the end of the world, with a residency requirement that builds genuine commitment rather than a paper address, and a qualifying investment that flows into New Zealand's productive economy. The household choosing between Dubai and New Zealand is not choosing between equivalent propositions at different prices. It is choosing between the cheapest available option and the most defensible long-term position. For the buyer whose horizon is generational rather than transactional, those are different things.

> *Zero tax at the wrong address is the wrong answer to the right question. The UAE has built a world-class programme for the price-sensitive buyer. TRE is built for the household whose question is not 'where is cheapest?' but 'where is genuinely, verifiably far from all of this?'*

5.5 Singapore: The Asian Benchmark in Deliberate Retreat — and What It Leaves Behind

Singapore built the most successful wealth migration programme in the world. Between 2020 and 2024, its single family office sector grew from 400 to more than 2,000 — a quintupling in four years, driven by a territorial tax system that imposes no tax on foreign-sourced income, a Global Investor Programme that created a streamlined permanent residency pathway, and a city-state whose rule of law, institutional quality, and regional connectivity made it the natural anchor for Asian wealth in motion.

Two thousand family offices is not a statistic. It is a concentration of wealth, expertise, network, and capital that has made Singapore one of the most sophisticated private wealth environments on earth. Many of the world's billionaires live there now. Their family offices manage assets spanning every asset class, every continent, and every currency. Their advisers are among the most technically proficient private wealth practitioners outside London and New York. Singapore, in the decade ending 2024, was not merely a destination. It was a platform.

And Singapore has decided, with deliberate and transparent intent, that it has enough.

Since 2023, Singapore has raised its Global Investor Programme investment thresholds, declined a meaningful share of renewal applications, and made permanent residence explicitly discretionary rather than automatic for qualifying investors. The signal is unambiguous. Singapore is not closing — it is curating, moderating its pace, and signalling to the market that the next cohort should expect higher barriers and less certainty than the cohort that established the programme's reputation. A city-state of five million people managing the infrastructure pressures of 2,000-plus family offices has rational reasons for this decision. It is not, in doing so, retaining those residents' unconditional loyalty.

Some of those 2,000-plus family offices are reassessing. The households that relocated to Singapore in 2020 or 2021 — when the programme was generous, renewal was reliable, and the city felt like an accelerating hub — are now evaluating whether their initial commitment should become permanent. Most will stay. Singapore remains by every objective measure one of the world's most liveable and institutionally sound small states. But a share of those households — drawing from the upper end of the wealth distribution — is now asking a question that did not exist three years ago: given that Singapore has chosen to moderate what attracted us here, should another destination be actively considered?

New Zealand is not poaching Singapore's residents. It is making itself available to the households for whom Singapore's own policy choices have created the conditions for reconsideration. The distinction matters — and it is real. TRE does not offer something Singapore has revoked. It offers a long-term, statutorily certain, unconditionally grandfathered settlement contract at the precise moment when the households who valued that certainty most are discovering that Singapore's version of it is becoming discretionary. Singapore chose to open that question. New Zealand is simply prepared to answer it.

For the Hong Kong family office that chose Singapore in 2021, the question is not merely whether TRE resolves a political risk. It is whether New Zealand is genuinely a better home.

The honest answer: on annual tax cost, Singapore wins. Singapore's territorial system charges nothing on foreign-sourced income. TRE charges NZD 600,000 per year, rising to NZD 1 million or more at the mature rate. For a household with substantial offshore income, the annual tax saving in Singapore is real and not marginal. That comparison must be stated clearly, because the households doing this evaluation are sophisticated enough to find it themselves, and a case that obscures it loses credibility before it makes its argument.

The annual tax comparison does not capture everything else — and everything else is substantial.

Singapore is one of the world’s most expensive cities. A family home appropriate for the household profile this document describes requires SGD 25 million or more in Singapore’s prime property market — simply the cost of physical space in a city-state of 720 square kilometres. New Zealand offers comparable or superior residential quality at a fraction of that cost, with dramatically more space, privacy, and proximity to nature. When property, schooling, and cost-of-living differentials are factored in, the total annual cost gap between Singapore and New Zealand narrows substantially — and for many family profiles, the NZD 600,000 TRE contribution is largely offset by the savings.

And then there is what Singapore, by virtue of being a city-state of 720 square kilometres, cannot provide regardless of price.

The Hong Kong family office patriarch who came to Singapore in 2021 brought his children away from the country that had changed around them. Singapore gave his family an excellent institutional environment and kept them within the regional network they had built over decades. What it did not give them — what it cannot, because the geography does not permit it — was physical scale, natural environment, genuine distance from density, and the sense that the world's more acute problems are somewhere genuinely far away. Singapore is 1,400 kilometres from the Taiwan Strait. Auckland is 9,400 kilometres from it. For the family whose long-horizon calculation includes the possibility that the cross-strait relationship does not resolve peacefully, those are not equivalent distances.

TRE offers this household something no Singapore programme can replicate: a 16-year grandfathered settlement contract in an English common-law country with 720 times Singapore's land area, a fraction of Singapore's residential density, a natural environment of extraordinary scale and variety, and a geopolitical position that is, by any honest assessment, dramatically more remote from the regional scenarios that put Asian wealth in motion than Singapore's address allows. The annual tax cost is higher. The total-cost comparison is substantially closer than the headline figures suggest. The value delivered — in space, in safety, in permanence, and in the kind of life available to a family genuinely settled rather than fiscally registered — is, for the right household, decisively different.

New Zealand is not Singapore's equal on urban sophistication, regional connectivity, or culinary density. It is Singapore's clear superior on physical scale, natural environment, housing quality and cost, geopolitical remoteness, and the quality of life available to a family that has decided to be genuinely settled. The household that has been in Singapore for five years, watching the programme moderate and the cross-strait calculus evolve, and has begun to calculate the difference between those two things — that household is precisely who TRE is designed for.

> *Singapore built the world's best wealth migration programme and then chose, with sound reason, to moderate it. TRE is not poaching Singapore's residents. It is making itself available to the households for whom Singapore's deliberate retreat has opened the question: where next? For those households, New Zealand offers 720 times the land area, 9,400 kilometres from the Taiwan Strait, and a 16-year statutory settlement contract that Singapore's own programme no longer provides with certainty.*

5.6 The European Tier: Greece, Portugal, Malta

The four remaining European programmes — Greece’s flat-tax regime for non-domiciled residents, Portugal’s reformed Non-Habitual Resident scheme, Malta’s Global Residence

Programme, and Cyprus's non-domicile regime — serve a specific buyer profile worth mapping precisely, because each answers a real question from a real household, and none of them answers the question this Part has been addressing.

Greece introduced its flat-tax regime in 2020, charging €100,000 per year — one sixth of TRE's launch rate — for a discharge of all foreign-sourced income, with a €500,000 Golden Visa property requirement providing the residency pathway. For the price-sensitive European buyer who wants flat-tax simplicity and a Mediterranean climate, Greece is a coherent and affordable answer. It does not offer English common law, it does not provide statutory grandfathering, and the question of how much physical distance it provides from its buyers' anxieties is answered by its location: Greece is in Europe.

Portugal's Non-Habitual Resident scheme, reformed in 2024, retains structural advantages for qualifying individuals while narrowing its exemptions and imposing a 183-day annual residency requirement. The regime has been subject to enough legislative revision to generate material adviser caution about its long-term stability — caution that is, in the context of the household this document describes, itself a disqualifying characteristic. A household that has decided to relocate for generational certainty does not accept a programme whose legislative durability is an open question. Portugal solves the tax problem affordably for the buyer who prioritises cost and lifestyle over certainty. That buyer is real. They are not this buyer.

Malta's Global Residence Programme offers a minimum of €15,000 annually — the lowest flat-tax entry point in this comparison — with a qualifying property requirement of €275,000. Malta's English legal heritage and official bilingualism give it genuine institutional advantages over its continental peers. It is a Mediterranean island of 316 square kilometres, approximately three hours from central Europe by air. Whatever geographic distance Malta offers its residents from European instability is measured in flight time, not in the thousands of kilometres that the households this Part describes are using as their primary unit of security.

Cyprus completes the European tier. Its non-domicile regime exempts dividend and interest income from Cyprus tax, regardless of source; a separate employment income exemption applies to qualifying high earners; and the absence of inheritance tax makes it an efficient structure for inter-generational wealth transfer. A growing family office community has established operational infrastructure in Limassol and Nicosia over the past decade. Cyprus's offer is real, and for the price-sensitive buyer seeking a Mediterranean base with European Union membership, it is coherent. It is also on the eastern edge of the European continent, 200 kilometres from the coast of Lebanon, and within the same risk map as every other programme in this section. Cyprus, like Greece, Portugal, and Malta, answers the tax question from inside the geography that the household in motion is actively trying to exit.

The common thread across all four European tier programmes is the same thread that runs through Italy and Switzerland: they answer the tax question from inside the risk map the household in motion is actively trying to exit. Their tax solutions are real. Their costs are competitive. Their lifestyle appeal is genuine. None of them can offer what the household in 2026 is actually asking for: the tax solution at the address that is genuinely, verifiably, and geographically outside the problem. Meanwhile, the European tier is contracting: Spain abolished its Golden Visa programme in April 2025, and Ireland closed its Immigrant Investor Programme in February 2023. The competitive vacancy is widening, not narrowing.

> *At €100,000, Greece is one sixth of TRE's annual cost. At €15,000, Malta is one fortieth. Both are in Europe. The price differential does not compensate for the geography differential — for the household whose primary question is not 'what is cheapest?' but 'where is genuinely far from all of this?'*

5.7 The UK FIG: What a Regime Without a Settlement Contract Produces

The United Kingdom's response to the abolition of its non-domicile regime was not a flat-tax replacement. It was a four-year exemption: the Foreign Income and Gains regime, operative from April 2025, provides new arrivals with four years of relief from UK tax on foreign income and capital gains. After four years, full UK rates apply. There is no flat-tax regime offered commencing in year five. There is no settlement contract, no grandfathered regime that extends beyond the transitional window, and no post-transitional architecture that gives the household arriving in year one a reason to believe year five is anything other than the year they should plan their departure, for the exact same reason the few UHNWIs who come to New Zealand plan their departures at that time.

The results are already visible in the data. In 2025 — the year the FIG came into effect — the UK recorded a net loss of 16,500 millionaires. That figure captures the departures of households that had committed to leaving when non-dom abolition was announced in March 2024, and those who departed when it took effect in April 2025. It also stands as an excellent proxy for the number of millionaires who never came to New Zealand because we already have the exact same system that drove more than 16,000 millionaires out of the UK last year. It does not yet include the households currently in FIG years one through four, calculating their exit and making their arrangements. They already know what happens at month 49. Their advisers have told them. The departure is planned. The FIG has given them a longer runway; it has not given them a reason to stay.

To appreciate the scale of what is now in motion, the starting position matters. In 2022–23, HMRC recorded 74,000 non-domiciled residents in the United Kingdom — collectively contributing £8.9 billion annually in income tax, capital gains tax, and national insurance. The 16,500 who departed in 2025 represent 22% of that pool: a significant first wave, drawn from the households whose advisers moved earliest and whose decisions were simplest. The remaining 57,500-plus non-doms are now inside the UK's four-year FIG countdown. They are not staying. They are completing their tax planning, finalising their property exits, and identifying the jurisdictions that offer the settlement contract the UK chose not to provide. Their decisions will be made within the next 24 to 36 months. These households — identifiable by tax status, concentrated in London, advised by a small number of elite private wealth firms, and already in active decision-making — are the single most motivated, most accessible, and most specifically documentable cohort of potential TRE participants in the world right now.

New Zealand's post-transitional architecture is the UK FIG's structural twin — a four-year exemption followed by full domestic rates on worldwide income, with no long-term settlement contract. The UK has now demonstrated, at extraordinary cost to its own tax base, what that produces: departure. The households that left did not seek countries with longer transitional windows. They went to Italy, Switzerland, and the UAE — jurisdictions offering permanent flat-tax certainty rather than a countdown. They went to settlement contracts, not to longer timers. TRE is that settlement contract. The UK went first. New Zealand should learn from the UK's mistake, adjust our settings in the opposite direction, and claim the wealth the UK has ejected.

The London financier in this comparison exercise is not hypothetical. He is one of 16,500 households that departed the UK in 2025 and is actively evaluating alternatives. The iteration of that evaluation that puts New Zealand on the shortlist — for the first time — is what TRE makes possible. The UK has already done the hard work of displacing this capital. New Zealand can receive it, or watch it go elsewhere.

> *Sixteen thousand five hundred millionaires left the United Kingdom in 2025. Not because the FIG's four-year window was insufficient — but because four years without a post-transitional settlement contract is a countdown timer, not a home. TRE is the settlement contract. The UK has proved, at scale, that there is no substitute for it — and its departing households are the market New Zealand can now claim.*

5.8 The Evaluation Resolved

The London financier's adviser has completed the matrix. Seven regimes examined. Each one found lacking in at least one dimension that is non-negotiable for the household this analysis has been addressing. Italy resolves the tax problem from inside the continent he is leaving. Switzerland resolves it 900 kilometres from a conflict with no resolution in sight. The UAE resolves it at zero cost in a region whose own geopolitics are not the answer to the problem of leaving geopolitical instability. Singapore built the world's best programme and chose to moderate it, signalling to its most committed residents that the certainty they signed up for is now discretionary. Greece, Portugal, and Malta solve the tax question in Europe, which is where the problem is. The UK's own FIG is the proof, at scale, that a transitional window without a post-transitional contract is a departure schedule with better catering.

And then there is New Zealand.

TRE offers everything the matrix requires. A full discharge of all foreign-sourced income — FIF, Financial Arrangements, CFC attribution, offshore trust distributions, carried interest, royalties — under a single flat contribution that replaces the obligation to calculate rather than simply adjusting the rate. An English common-law legal system that the London financier's lawyers already draft in, that the Silicon Valley founder's contracts are already structured under, and that the Hong Kong family office has relied on through every jurisdiction in which it has operated. A statutory, unconditional 16-year grandfathering commitment that no future Budget can unpick, because it is a contract enshrined in legislation, not a policy maintained at administrative discretion. A democratic government with no adversaries, no military entanglements, no nuclear target status, and two oceans between it and every active conflict scenario on the current risk map.

And a price — NZD 600,000 at launch — that reflects the superior product, not the cheapest available alternative. A price calibrated to attract the first look and then reward investigation with the discovery that what lies behind it is a programme that, precisely because it asks more, delivers more: NZD 10 million in committed capital to New Zealand's productive economy — after the first repricing, once the TRE qualifying investment joins the AIP minimum already committed — before the contribution clock starts; 1,440 days of genuine presence over a 16-year term, and the compound benefit of a community of committed residents whose investment, governance expertise, and international networks transform the ecosystem around them.

The London financier has been displaced from the country he spent thirty years building in by a government that concluded his fiscal contribution was insufficiently visible to the public that elected it. He has had conversations in Dubai, Zurich, Milan, and Athens. None of them gave him a satisfactory answer to the question his stage-two evaluation requires. The German industrialist holds a backup-plan visa he has not used — his adviser told him correctly that the post-transitional architecture made permanent settlement irrational. The Silicon Valley founder has already chosen New Zealand twice — on Gallup's survey of where she would go, and in the AIP application queue — and has not yet found the regime that converts that preference into a permanent home. The Hong Kong family office is five years into its Singapore residency, watching the programme's moderation and the Taiwan Strait simultaneously, and beginning to ask a question it did not expect to face so soon.

For each of these households, TRE changes the calculation at the moment it needs to be changed. Not by making New Zealand cheap. Not by offering what its competitors cannot match on their strongest dimensions. But by removing the disqualification that has, until now, prevented the evaluation from reaching the point where New Zealand's actual advantages become visible — and by placing a regime at the address that is, on the dimension this market now values most, without competition in the world.

The evaluation is complete. Every household in motion has a reason to choose New Zealand. The question that remains — the one this proposal has been building toward since its first page — is ready to be asked.

Why has New Zealand not yet offered this?

That question is what Part Six addresses.

> *The evaluation ends at the same address regardless of which household runs it. Not because New Zealand wins on price — it does not. Not because New Zealand is closest — it is the furthest. Because it is the only programme in this comparison that places the right tax architecture at the address that is genuinely, verifiably outside every problem that put these households in motion. The right address. The only address.* ***Here. New Zealand.***

P A R T S I X

From Analysis to Action

The Pipeline, the Clock, and the Path to Legislation

As of the first quarter of 2026, four households are waiting for an answer.

The London financier has calendar invitations to offices in Zurich and Milan. The German industrialist's AIP visa sits in a drawer — technically valid, practically unused, because his adviser has not changed the advice that using it beyond the transitional window would be irrational. The Silicon Valley founder remains in the AIP application queue: she has chosen New Zealand twice, on a Gallup survey and on an immigration form — but only as a backup plan. Her adviser told her not to even think about taking up tax residency. She has not yet found the regime that offers her a viable pathway to a new permanent home outside California. The Hong Kong family office patriarch is five years into his Singapore residency, watching the programme's moderation and the Taiwan Strait simultaneously, running a calculation he did not expect to be running this soon.

None of them are in New Zealand. None of them are paying New Zealand taxes. The analysis in Parts One through Five has explained, with precision, why they will never come. Part Six explains how to convert them into tax-paying permanent residents — investing in New Zealand's productive economy and generating the Crown revenue and employment that current settings forfeit entirely.

The London Financier

Displaced non-dom, active decision-maker

Location: Evaluating — Zurich & Milan appointments booked

Status: Left the UK in 2025. Engaged Mayfair wealth law firm. Running a full eight-jurisdiction comparison.

Waiting for: A post-transitional settlement contract. New Zealand is not on the current shortlist.

The German Industrialist

Mittelstand family office, backup-plan visa holder

Location: Germany — AIP visa sitting unused

Status: Acquired NZ backup-plan residency. Has not taken up tax residency. Adviser's advice unchanged: current settings are disqualifying.

Waiting for: A changed answer from his adviser. TRE changes that answer.

The Silicon Valley Founder

US tech founder, institutional anxiety migrant

Location: California — AIP application in queue

Status: Chose New Zealand twice: on a Gallup survey and in an immigration form. Has not found a regime that converts either choice into a permanent home.

Waiting for: A post-transitional architecture compatible with US citizenship-based taxation. Track 1 is that architecture.

The Hong Kong Family Office

Multi-generational family office, safety-premium buyer

Location: Singapore — five years into GIP residency

Status: Watching GIP moderation and the Taiwan Strait simultaneously. Beginning to run a calculation he did not expect to be running this soon.

Waiting for: A permanent home outside Asia's geopolitical risk map. New Zealand is the only address that answers both questions at once.

The question Part Five closed with — *why has New Zealand not yet offered this?* — is not rhetorical. It has a precise answer, and that answer is not complexity, not cost, and not the absence of demand. The demand has been documented across five Parts and is sitting in a government database, listed as 573 applications, 1,833 applicants, and NZD 3.39 billion of committed investment capital, none of which has produced a single dollar of Crown revenue from foreign-sourced income. New Zealand already found the market. What it does not yet have is the programme that converts it into Crown revenue and domestic investment.

This Part provides the conversion mechanism, the legislative path, and a prescription for immediate action.

6.1 The Pipeline Already Exists

Recruitment is solved. Conversion is not.

1,833	NZD 3.39B	NZD 0
AIP applicants in government pipeline *INZ, Feb 2026*	*committed investment capital in pipeline* *INZ data*	*Crown revenue from that cohort's foreign income* *Treasury OIA-20250655*

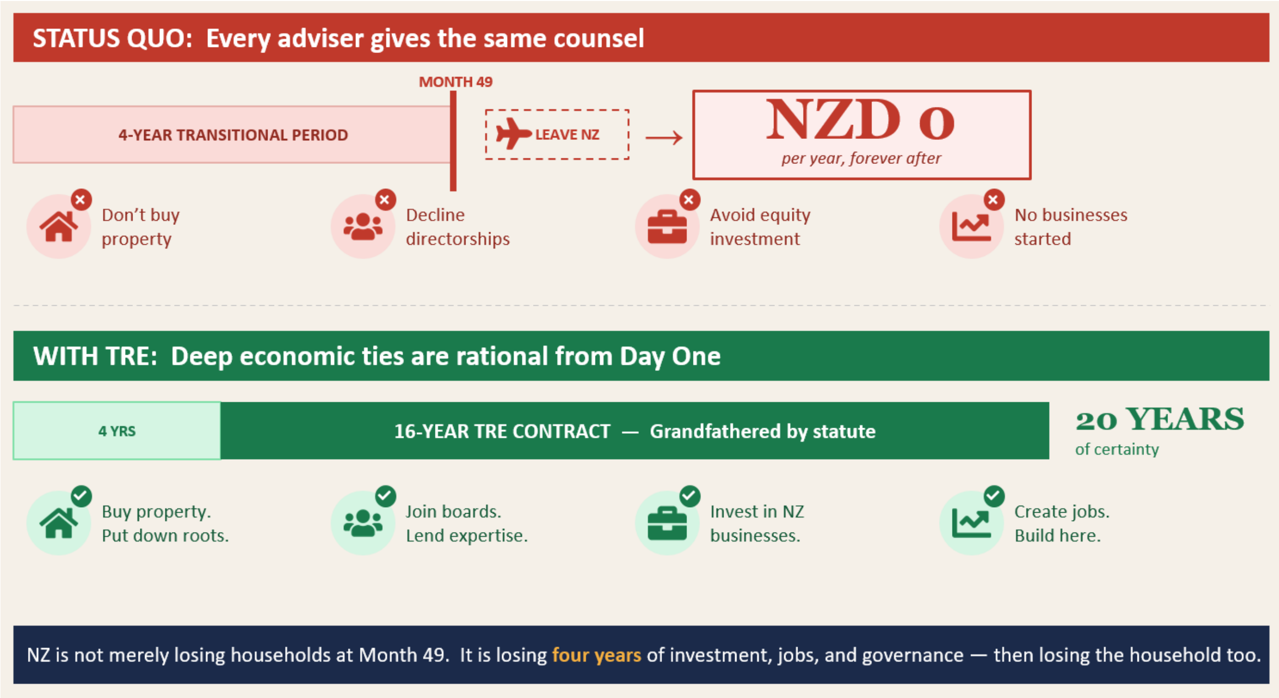
Unprecedented demand in times of changing geopolitics has helped New Zealand achieve something no government marketing campaign could have produced. Despite having no targeted wealth migration strategy, without active promotional effort in the markets where demand originates, and without a post-transitional tax architecture that makes permanent settlement rational, New Zealand has still assembled a documented pipeline of 1,833 applicants seeking New Zealand backup-plan visas, representing NZD 3.39 billion in committed investment capital, drawn from exactly the household profile this proposal describes.

Not one of those 1,833 applicants is generating Crown revenue from foreign-sourced income. They hold backup-plan visas — not settlement intentions. The distinction matters: AIP delivered exactly what it was designed to deliver. TRE is what converts optionality into commitment.

The AIP architecture was built with a 21-day minimum physical presence requirement over three years. As DLA Piper confirmed in their analysis of the programme's design, that threshold was set specifically to allow investors to hold New Zealand residency rights without triggering the transitional residency clock. AIP delivers backup-plan optionality. It was never designed to produce committed settlement, and it does not. Of the 182 resident visas granted as at February 2026, the New Zealand government's own Treasury OIA release (OIA-20250655) explicitly confirms that not all resident visa holders will be New Zealand tax residents. The number who have elected tax residency is not published — IRD does not report it separately — but the structural design of AIP makes the direction of that figure unambiguous.

This is not a flaw in AIP's design. It is a flaw in the post-transitional architecture that AIP feeds into. The 1,833 applicants are not avoiding New Zealand because they find it unattractive. They are avoiding tax residency because their advisers have told them, correctly, that the post-transitional tax architecture makes permanent commitment economically irrational. AIP gets them to the door. There is currently nothing on the other side of that door.

Meanwhile, the PPOA rules — the *permanent place of abode* provisions that determine tax residency — mean that transitional residents who acquire deep onshore ties during their four-year window risk being unable to exit New Zealand tax residency cleanly at month 49. The rational response to that risk is well-documented by the advisory community whose evidence fills Part Two: rent rather than buy, avoid directorships, decline business investments, leave a light footprint. New Zealand's current architecture does not merely fail to convert transitional residents into permanent tax residents. It actively discourages the investment, employment creation, and governance participation of the transitional residents it has already attracted — for all four years of their stay — before driving them away at the cliff. The cost of the current architecture does not begin at month 49. It begins on arrival.



TRE eliminates both dimensions of this cost simultaneously. The twenty-year grandfathered settlement contract — four years of transitional residency followed by sixteen years of elected certainty — removes the cliff. And in removing the cliff, it removes the incentive to maintain the light footprint: replacing four years of deliberate economic disengagement with two decades of committed economic participation.

The conversion gap: what the same pipeline looks like with TRE

	AIP as currently designed	AIP pipeline under TRE
Applicants	1,833	Likely much higher: Any competent analysis of the current AIP programme concludes it is a backup plan, not a viable residency pathway beyond the transitional window. That means the market segment with immediate relocation intentions is likely passing on AIP. TRE would close them instantly.
Tax residents produced	Minimal — architecture actively discourages election	Material conversion: 20-year certainty makes election rational. NZ location, climate, and culture close the deal.
Annual Crown revenue (foreign income)	~Zero	NZD 600,000+ per principal per year, rising to NZD 1m+
Capital committed to NZ productive economy	NZD 1.05bn (AIP qualifying investment only)	NZD 1.05bn AIP + NZD 5m TRE qualifying investment per participant (from first repricing)
Participant behaviour during transitional period	Exit-optimised — PPOA rules make deep ties a liability	Investment-oriented — 20-year horizon (4+16) makes deep ties rational from day one
Long-term settlement outcome	Structurally unlikely — no post-transitional contract	Structurally incentivised — statutory certainty across the full 20-year horizon

The pipeline does not need to be rebuilt. It needs to be converted.

6.2 The Conversion Mechanism and the Policy Clock

Twenty years of certainty changes what the adviser tells the client on day one

The regime introduced in Part Three is, at its core, a settlement contract. The participant elects, New Zealand commits, and the terms are fixed for a twenty-year horizon — four years of transitional residency followed by sixteen years under TRE, with grandfathered terms enshrined in statute. What that contract changes is what advisers tell their clients on day one. Under current settings, the advice from every firm documented in Part Two is the same: plan to leave in month 48. Under TRE, the advice changes: you have twenty years of certainty. Invest. Build. Stay. That is a long-term financial and social commitment to New Zealand.

The UK precedent: New Zealand's current settings, exported — and their consequences

When the United Kingdom abolished its non-domicile regime in April 2025 and replaced it with the four-year Foreign Income and Gains window, it adopted New Zealand's own current architecture — a transitional exemption followed by a cliff, with no post-transitional settlement contract. The consequences were immediate and measurable. Of the 74,000 non-domiciled households affected, 16,500 departed within nine months. The 57,500-plus who remain are now in the FIG countdown, making permanent relocation decisions on a compressed timeline. They represent the single most identifiable, most motivated cohort of potential TRE participants in the world today. The full analysis of what that cohort means for TRE's immediate opportunity is in the Conclusions.

16,500	57,500
millionaires departed UK within 9 months of non-dom abolition	*FIG-window households in active permanent relocation decisions*
Henley & Partners	*UK FIG regime analysis*

The policy clock — the real deadline is not 2029

The 2029 cliff — the year the first AIP cohort's transitional windows begin expiring — is frequently cited as the operative deadline for FIF reform. It is a real deadline. It is structural, not political, and less than three years away. But it is the long deadline. Treating it as the primary constraint misreads where the largest and most immediately accessible opportunity lies.

The short deadline is today.

Across the global wealth migration community right now — in the London private wealth practices managing the affairs of 57,500 FIG-window non-doms actively choosing between Italy, Switzerland, the UAE; in the Singapore family offices reassessing their positions as the GIP moderation tightens; in the German family offices whose +114% enquiry volumes reflect households searching for a permanent home rather than a temporary arrangement — settlement decisions are being made this quarter. Not in 2029. This quarter. Every week that passes without TRE is a week in which the German industrialist's adviser does not have a changed answer. It is a week in which the London financier's Zurich appointment proceeds without New Zealand on the agenda. It is a week in which a family office that would have chosen New Zealand chooses Italy instead — and that decision is permanent.

The solution does not require waiting for Royal Assent. It requires New Zealand to do what it has done before: secure ministerial commitment in principle, telegraph the coming policy change with sufficient authority to make the intention credible, and begin marketing the coming regime immediately. When New Zealand introduced the AIP residential property threshold — exempting purchases above NZD 5 million from Overseas Investment Act restrictions — the exemption was publicly committed to and actively marketed to the investment migration community months before the enabling legislation passed. The market responded to the intent. A clear ministerial statement that New Zealand intends to introduce TRE, targeted at operative status within six months, accompanied by a published summary terms sheet of the proposed regime parameters, achieves the bulk of the marketing effect of enactment — and begins generating the pipeline of election intentions that will convert into revenue the moment the legislation passes. Every week of delay before that statement is made is a week in which a household that would have chosen New Zealand chooses a competitor regime that already has a product to offer — forgoing NZD 9.6 million in Crown contributions over the following sixteen years.

Indicative path from commitment to operative regime

The table below shows the indicative path from ministerial commitment to operative regime.

When	What
Q2 2026 ●	Ministerial commitment "in principle." Published term sheet pre-announcing TRE circulated through immigration and investment migration channels. Marketing of the coming regime begins immediately — consistent with the AIP residential property exemption precedent.
Q3–Q4 2026 ●	Formal design phase: IRD and Treasury engagement. Bill drafting commences. Author of this proposal participates in technical input sessions if desired.
Q1–Q2 2027 ●	Bill introduced. First reading. Finance and Expenditure Committee process. Select committee submissions from investment migration community.
Q3 2027 ●	Royal Assent. TRE operative. Election window opens for qualifying transitional residents. **Founding-rate participants lock in.** WMAC referral codes issued.
2027–2029 ●	First AIP cohort elects into TRE before transitional windows begin expiring. Peer-to-peer promotion through WMAC channel compounds programme awareness in global HNWI networks.
2029 ●	**AIP cliff. First cohort transitional windows begin expiring. Without TRE election, full NZ rates on worldwide income apply. Households without a settled regime depart. The conversion window for this cohort closes permanently. The cost of missing the legislative window is not recoverable.**

> The 2029 AIP cliff is the long deadline. The households choosing a permanent home this quarter are the short one. At NZD 9.6 million in Crown contributions over the following sixteen years, every family office that signs with Italy or Switzerland this week represents foregone revenue that is gone forever before a single line of New Zealand legislation has been drafted.

6.3 The Qualifying Growth Investment Incentive

TRE is designed to foment major capital investments in our economy

Every flat-tax regime in the world sets a price and holds it. TRE introduces a design feature that no comparable programme has attempted: a structured incentive for participants to invest so deeply in New

Zealand's productive economy that their annual flat contribution reduces — potentially to zero. The mechanism scales in 10% increments: at programme maturity, for every NZD 10 million deployed into qualifying New Zealand assets, the participant's total annual TRE obligation — including both principal and any dependent contributions — reduces by 10% of that total obligation. The scaling is approximately linear. At NZD 100 million in qualifying investment, the reduction reaches 100%: the participant's TRE contribution is zero. The full formula and qualifying asset definitions are set out in Annex E.

Qualifying NZ Investment	TRE Reduction	Annual TRE Payment (at maturity)
NZD 10 million	10%	NZD 900,000
NZD 50 million	50%	NZD 500,000
NZD 100 million	**100%**	**NZD 0** *(but NZ income tax on returns = NZD 7–10M/yr)*

The design aligns participant incentives precisely with New Zealand's economic development priorities: the participants deploying the largest volumes of capital into domestic growth enterprises bear the lowest ongoing contribution. It provides a politically durable answer to the critique that TRE is a subsidy for passive wealth. And it makes the egalitarian argument at its most powerful.

A participant who invests NZD 100 million in qualifying New Zealand enterprises does not pay zero tax. They pay zero TRE flat contribution — and then pay full New Zealand income tax on every dollar of return their investment generates. If that NZD 100 million earns a 25% return, it has produced NZD 25 million in New Zealand-sourced income. Depending on the structure, that income is subject to the company rate of 28% or the top personal marginal rate of 39% — producing a New Zealand income tax liability of between NZD 7 million and NZD 9.75 million in that year alone. The participant who has worked their TRE contribution to zero through qualifying investment is not avoiding New Zealand tax. They are generating considerably more of it, through productive domestic economic activity, than the flat contribution ever asks of anyone.

> The QGI converts TRE from a revenue instrument into a capital deployment instrument. The participant who invests NZD 100 million in New Zealand and earns a market return pays more to the Crown in standard NZ income tax alone — on the domestic returns generated by that investment — than the annual flat contribution ever requires. And they continue to pay it, year after year, on the returns from an enterprise that employs New Zealanders and builds the productive economy TRE was designed to attract.

Design note: NZD 100 million is an aggressive ceiling — viable at programme maturity, where the QGI functions as a competition for capital rather than a concession. The programme could be viable at much lower introductory thresholds and still produce more new revenue than it gives up. The author's recommendation is to scale the "zero flat tax qualifying rate" of NZD 100 million in alongside the other price increases. In other words, launch TRE with only a NZD 25 million investment requirement to "zero" the flat tax, then increase to NZD 50 million around year 3 or 4, then eventually increase to NZD 100 million at maturity. As with all other TRE parameters, the grandfathering principle applies: participants who qualify under a lower threshold are protected from subsequent escalation, which applies to new entrants only.

6.4 The Legislative and Administrative Path

A single bill, two schedules

TRE is one bill with two schedules — Track 1 accommodating US citizens through a cap mechanism compatible with the US Foreign Tax Credit system, and Track 2 providing the global flat-fee structure for all other participants. What Parliament votes on is one regime. The two-track architecture is a technical drafting matter. The policy question is singular: should New Zealand offer a post-transitional flat-contribution regime to HNWI immigrants? It admits a singular answer.

The Extended RAM provisions currently working through Parliament provide both legislative precedent and partial infrastructure. TRE builds on Extended RAM without replacing it: RAM addresses the transitional period; TRE addresses the post-transitional period that RAM, by design, leaves unresolved. Together, the two instruments constitute a complete architecture. Separately, each is an incomplete answer.

A limited administrative burden and a proven model

Italy administers its Article 24-bis regime — the closest structural comparator to TRE — with a small, dedicated team within the Agenzia delle Entrate. Track 2 participants pay a fixed annual contribution — the contribution is the tax. Track 1 participants require sufficient disclosure to calculate the underlying NZ tax before the cap applies, but the FTC-compatible structure produces a defined and predictable outcome. Neither track creates a material audit burden — the incentive to under-report foreign income is absent when the contribution is fixed regardless of reported income. Source-of-funds and source-of-wealth verification at the election stage, consistent with New Zealand's existing AML/CFT framework, provides the integrity layer. IRD already maintains the entry and exit data required for the cumulative residency day-count. No new data infrastructure is required.

The twelve-month window is achievable but not elastic

The 12-to-24-month legislative window is not a political preference. It is derived from the structural constraints at both ends: drafting time and Parliamentary passage at one end; the 2029 AIP cliff at the other. But as Section 6.2 establishes, the more urgent constraint is much sooner than 2029 — it is the households in active decision-making today, this quarter. At NZD 9.6 million per household over a sixteen-year term, every household that commits to a competitor jurisdiction this month represents foregone Crown contribution committed elsewhere before a single line of New Zealand legislation has been drafted. A ministerial commitment to proceed, accompanied by a published term sheet, must precede the legislative timeline by as much as possible. The market does not wait for Royal Assent. It has demonstrated, repeatedly, that it responds to credible intent — and it is receiving credible signals from Italy, Switzerland, and Singapore every week that New Zealand is silent.

The outstanding design questions — the FTC compatibility formula for Track 1, the QGI asset category definitions, the election certificate template — are narrow and require no foundational policy work. What is required is the decision to begin.

> Italy built this with a small team and a single statute. New Zealand has the legislative framework, the administrative capability, and the demand already in the pipeline. The policy architecture is complete. What is needed is not design. It is decision.

6.5 The Promotion Architecture

The pipeline has already been established by AIP's backup-plan visas.
Viable post-transition settings are needed to close the deal on tax residency.

HNWI settlement decisions do not propagate through advertising or government-sponsored outreach. They propagate through peer networks — family offices, private banks, institutional investor communities, and the advisers who serve them. Reaching those networks requires presence within them, not marketing at them.

New Zealand already has that presence. On 31 December 2025, a single episode of MacroVoices — by listener metrics the leading institutional investment podcast in the English-speaking world — discussed New Zealand's investment settings. Within thirty days, more than fifteen AIP applications cited the episode as their referral source, more than government marketing achieved over comparable periods.

This is not an anecdote. It is a demonstration of the mechanism. HNWI households make major settlement decisions based on what their peers have done and what their trusted networks recommend. The MacroVoices audience is that network. The author will commit that platform to active, sustained promotion of TRE in global institutional investor and family office communities — at no cost to the Crown — once a credible and durable regime is enacted. That commitment does not require a budget line. It requires a product worth promoting.

The Wealth Migration Ambassador Credit introduced in Part Three sustains that initial signal permanently. Every satisfied TRE participant becomes a structured recruitment channel — with the financial incentive to function as one. The programme grows through the same channel through which every successful high-commitment wealth migration programme has ever grown: participants telling participants.

> 142,000 millionaires relocated globally in 2025. They did not each independently discover the available regimes. They moved through networks. TRE enters those networks the moment it exists. The first cohort becomes its most effective advocates. The WMAC makes that advocacy economically rational. The author's platform provides the initial signal. The networks do the rest.

6.6 The Policy Ask

This document has done everything a policy proposal can do. It has established the opportunity, diagnosed the failure, designed the solution, demonstrated the market, compared the competitors, mapped the pipeline, and charted the path to legislation. What it cannot do is make the decision. That belongs to the people to whom it is addressed.

The ask is specific, because a specific ask is the only kind worth making.

First. The Revenue Minister commits, within thirty days of receiving this document, to initiating a formal design phase engaging IRD and Treasury, with terms of reference calibrated to the architecture set out in this proposal and its Annexes. The design phase has a single deliverable: a bill ready for introduction within twelve months of the phase commencing. The author and any co-signatories are available to participate in the design phase and to provide technical input on any element of the regime architecture.

Second. Concurrent with the design phase commencing — not after legislation passes, but immediately upon the ministerial commitment to proceed — the government publishes a clear statement of intent: New Zealand intends to introduce TRE within the next six months, on the following terms. A summary terms sheet is circulated through immigration and investment migration channels. This transforms the ministerial commitment into a market signal. This author will volunteer to help spread the word and promote TRE internationally. The households in the FIG countdown and the Singapore family offices reassessing their options are not waiting for legislation. They are waiting for a credible signal that legislation is coming — and as Section 6.2 establishes, the market responds to credible intent.

Third. The Revenue Minister facilitates direct engagement between the author, the Finance Minister's office, and the Immigration Minister's office, to align the TRE proposal with the economic development and immigration policy frameworks in which it must ultimately sit. The ministerial briefings identified in this proposal's supporting documentation are calibrated for each audience. The ministerial conversations are the political architecture that surrounds the legislative architecture. Both are necessary. Neither is sufficient alone.

The analysis is complete. The architecture is designed. The market is waiting — and it is not waiting patiently. The households making permanent decisions today are choosing between programmes that exist, not programmes that are under consideration. Every week that passes before a credible commitment to TRE is a week that moves a family office meeting to Zurich rather than Auckland. Every month of delay is a month in which the London financier's Zurich appointment produces a decision, the German industrialist's backup-plan visa edges closer to expiry, and the Silicon Valley founder files a permanent residency application somewhere else.

> The demand exists. The design is complete. The market is choosing — now, this quarter, not in 2029. What New Zealand needs is not another review, not another consultation, and not another deferred commitment. It needs a decision, and the window in which that decision produces its full intended effect is closing.

Conclusions

The Choice is Clear

This document has been placed in front of you because every piece of information needed to make a decision has already been assembled. The opportunity is documented. The diagnosis is on the record, in the words of every major law firm, every Big Four accounting practice, and the government's own revenue authority and Minister of Revenue, Hon. Simon Watts. The solution is designed, the market is identified, and the legislative path is mapped. What the preceding analysis has produced is not a recommendation to conduct further study. It is a case for a decision. The conclusions that follow are the verdict that the evidence compels.

Conclusion 1: One Wall of a Condemned House

FIF reform is welcome and necessary. It is also insufficient. Legislative focus on FIF rather than broader reform of the four-year transition cliff risks missing the opportunity window.

The FIF reforms currently working through New Zealand's legislative process are welcome and should be enacted without delay. They represent genuine and important relief for a specific cohort: migrants—Americans in particular—holding offshore listed equities, who need a realisation-based alternative to the Fair Dividend Rate method.

But for the household that defines the opportunity this document describes — the household that every major advisory firm's private client practice is being asked to route toward New Zealand — FIF reform does not materially change the advice. The reason is architectural. New Zealand's tax treatment of foreign-sourced income is not one rule. It is a system of parallel rules, each addressing a different asset class:

- The FIF rules govern listed offshore equities — taxing 5% of opening market value as deemed income each year, regardless of whether any income was received.
- The Financial Arrangements rules (subpart EW) govern offshore derivatives, options, futures, and swaps — taxing gains as ordinary income on an accruals basis at full marginal rates.
- The CFC and Foreign Attributed Income rules govern minority interests in offshore private companies — potentially attributing retained earnings as New Zealand taxable income even when nothing has been distributed.
- Separate rules govern offshore trusts, carried interest arrangements, royalty streams from offshore intellectual property, and every other category of foreign-sourced income that a typical UHNWI household's structure contains.

FIF reform addresses the first bullet. It does not touch the others. A participant whose wealth sits primarily in a family-owned Mittelstand business in Germany, in carried interest accruing in an offshore fund, in derivatives positions managed through offshore structures, or in a family trust holding real estate across three jurisdictions — which is to say, the typical profile of the globally mobile UHNWI household this programme is designed to attract — **will receive the same advice from their New Zealand tax counsel the day after FIF reform passes as the day before it: plan to leave in month 48**, and don't do anything to complicate doing so.

TRE eliminates the problem by replacing the architecture rather than patching it. Once a participant elects into TRE, a single annual flat contribution discharges all foreign-sourced income obligations regardless of asset class, jurisdiction, structure, or classification. No FIF calculations. No Financial Arrangements accruals. No CFC attribution. No offshore trust tracing. The contribution is the tax, and the tax is the contribution.

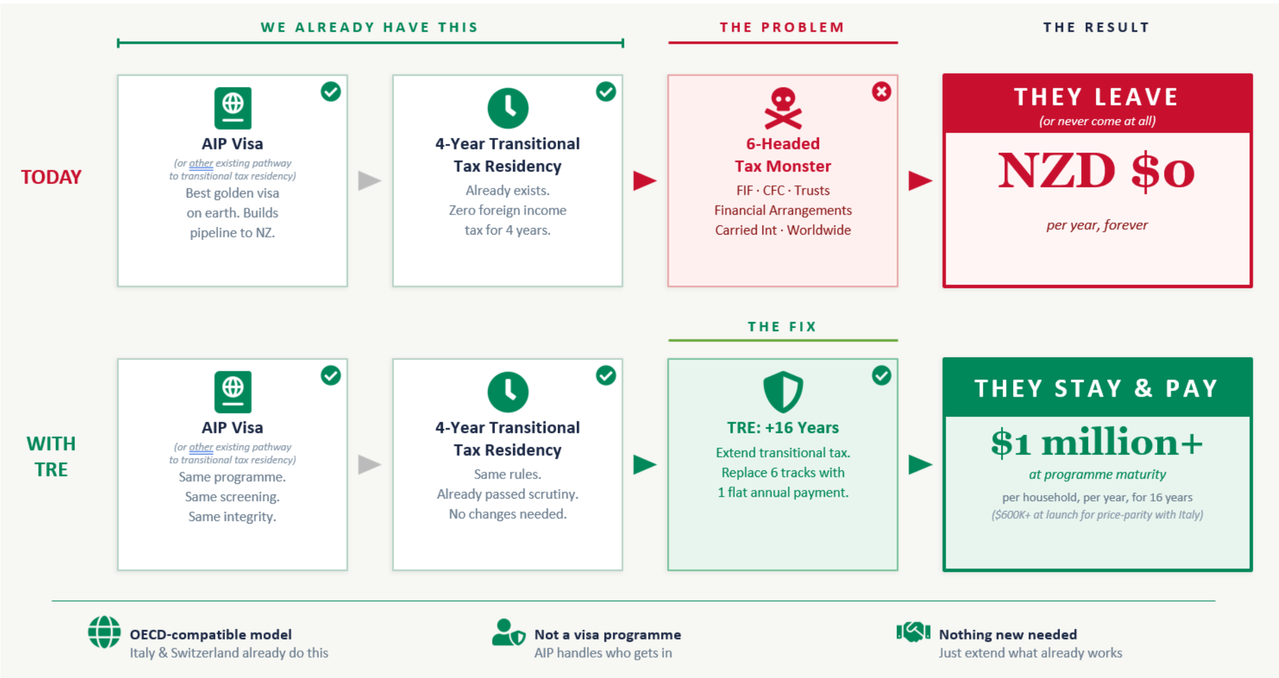
> *FIF reform repairs one wall of a house that needs a new foundation. TRE replaces the foundation. The households New Zealand most needs to attract will not notice the repaired wall. They will notice the foundation.*

This distinction carries a direct political implication. When Ministers ask whether the FIF reforms currently in progress have already addressed the problem, the honest answer is: partially, on one narrow track, for one relatively small subset of the market. TRE is not an alternative to FIF reform — it is the complete solution that FIF reform alone cannot be. Both should proceed. Only TRE changes the advice that wealth migration advisers give their most important clients.

Conclusion 2: The Choice Is Not "Tax the Rich." It Is Flat Tax vs Zero.

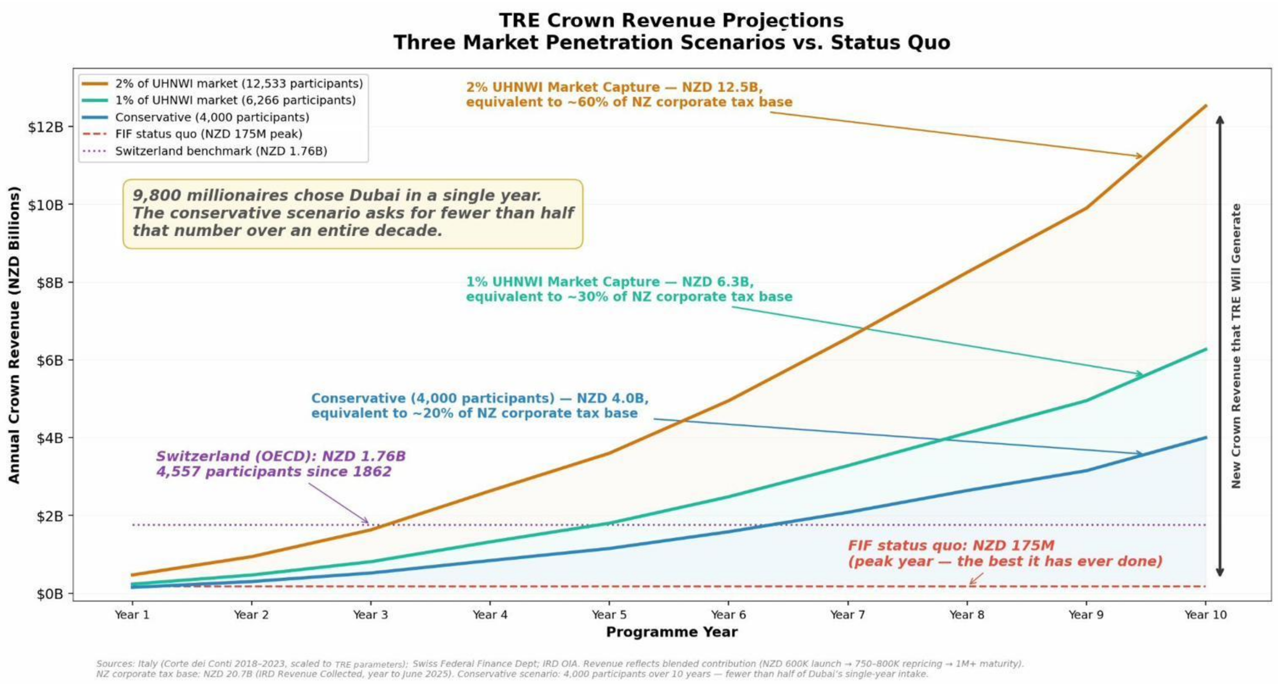
The question before the government is not what rate to apply to the wealthy. It is what to do about wealth that is demonstrably passing New Zealand by.

The objection that surfaces most predictably in any political discussion of a flat-tax regime is a version of the same intuition: surely the wealthiest households can afford to pay more. It is a reasonable intuition. It is also applied to the wrong question. The choice before the government is not what rate to impose on the UHNWI households that have stayed in New Zealand despite the current architecture. It is what to do about the vastly larger cohort that did not come, or came and left, and is now routing its capital to Milan, Zurich, and Dubai — contributing nothing to the Crown and nothing to the New Zealand economy — because its advisers have correctly concluded that the current settings are disqualifying.



Those advisers are not wrong. New Zealand's post-transitional foreign income tax architecture — documented in the evidence tables of Part Two in the words of every major New Zealand advisory firm, and acknowledged explicitly by the Minister of Revenue and the IRD's own consultation documents — is one of the most effective deterrents to UHNWI permanent settlement of any English-speaking jurisdiction in the world. It does not reduce what wealthy migrants pay. It ensures they do not arrive, or that they leave at month 49, having paid nothing on their foreign-sourced income and having made the minimum possible commitment to the New Zealand economy during their stay. The annual tax contribution of every UHNWI household that departed at month 49 is not 39% on worldwide income. It is zero. The alternative is not a wealthy household paying a lower rate. It is a wealthy household that is not here.

New Zealand's two confirmed years of FIF revenue data — NZD 53.3 million in FY2022–23 and NZD 174.5 million in FY2023–24 — represent the entire Crown take from a mechanism that is simultaneously counselling its own participants to plan their exit. Every dollar of that revenue came from households that stayed despite the cliff: households that either could not easily leave or whose circumstances made staying rational in spite of the tax burden. It says nothing about the households that left and generated zero, nor about the far larger cohort that was screened out at stage one and never came. TRE does not reduce the revenue from households that would have stayed anyway. It captures revenue from households that currently leave — and from the cohort that never arrived. Every dollar on the TRE revenue curve in the chart below is revenue that does not currently exist.



The chart above makes the argument more clearly than any paragraph can. Switzerland's comparable programme generated NZD 1.76 billion annually from 4,557 participants as of 2018 — a dated benchmark that represents a floor, not a ceiling, for what a mature TRE could achieve. New Zealand's own FIF line, flat and fragile, shows what the status quo delivers. The gap between those lines is the cost of inaction, measured in revenue that does not currently exist and will not exist unless the settings change.

> *The choice is not flat tax versus full tax. It is flat tax versus zero. Every dollar on the TRE revenue curve is revenue that the current architecture guarantees will never be collected.*

Conclusion 3: Three Decisions New Zealand Did Not Make

Three of the world's most significant wealth migration programmes have simultaneously vacated the market. The vacancy will not remain open indefinitely.

Britain abolished its non-domicile regime in April 2025. Australia's Significant Investor Visa was not reinstated after the May 2025 federal election and will not be revived during this Parliament. Singapore has raised investment thresholds, declined renewals, and made permanent residence discretionary for the family office cohort it assembled between 2020 and 2024. New Zealand made none of these decisions. And yet each one has produced a stream of displaced, financially qualified, actively deciding households now searching for a jurisdiction with a credible long-term settlement contract — and finding that the English-speaking, politically stable, geographically remote country that appears on every analyst's "safe haven" list cannot offer them one.

PROGRAMME	WHAT HAPPENED — AND WHAT IT CREATED FOR NEW ZEALAND
UK Non-Dom	Abolished April 2025. An estimated 16,500 millionaires departed in 2025 — the largest single-year exodus ever recorded. The remaining 57,500+ non-doms are now in the UK's four-year Foreign Income and Gains transitional window, making permanent relocation decisions within the next 24–36 months. They were collectively contributing £8.9 billion annually to the Exchequer. The UK chose to stop competing for them. New Zealand can choose to welcome them.
Australia SIV	Killed by the Albanese government and not reinstated after re-election in May 2025. The investor migration market Australia abandoned is not a hypothetical — it is the exact cohort, with the exact risk profile and capital scale, that TRE is designed to attract. New Zealand's single most geographically proximate competitor has voluntarily vacated the field.
Singapore GIP	The single family office sector grew from 400 to 2,000 households between 2020 and 2024. Singapore has since raised thresholds, declined renewals, and made permanent residence discretionary. Many of those 2,000 households are reassessing. The natural alternative for Hong Kong and Asian capital has deliberately moderated its programme. TRE is the only post-transition settlement contract now available at the Southern Pacific end of the risk map.

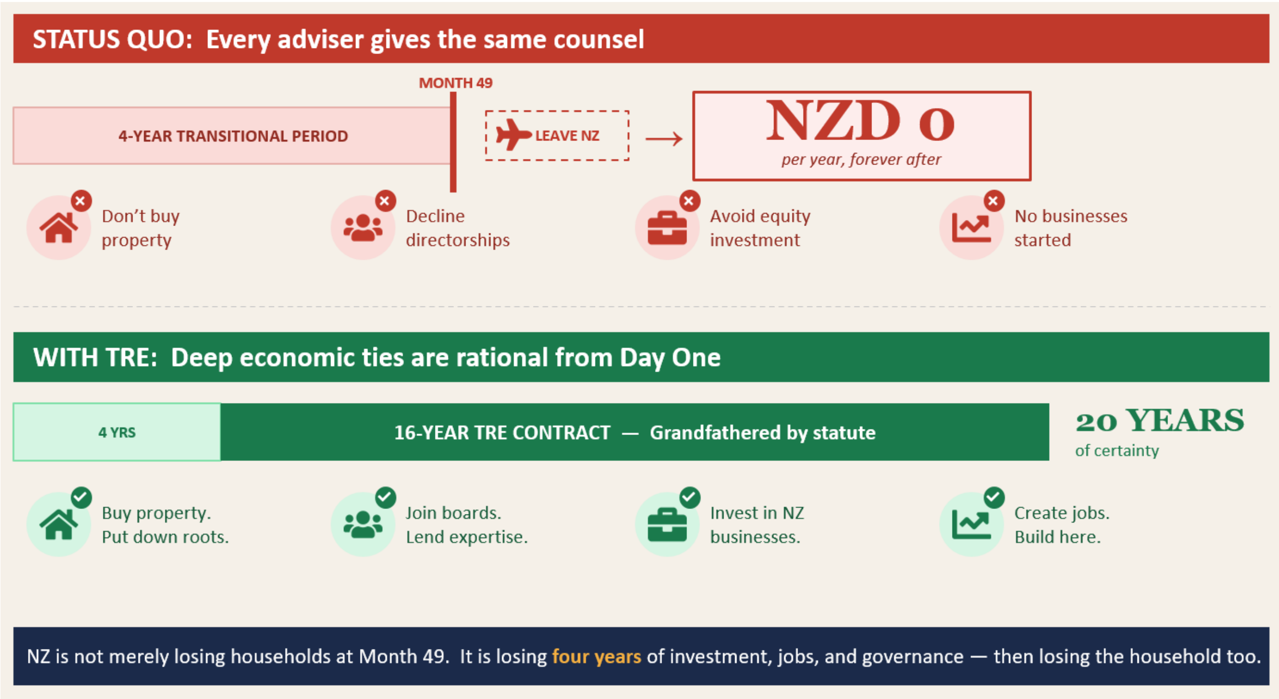
The convergence of these three decisions is not a manufactured opportunity. It is historical coincidence with a closing date. The 142,000 millionaires who relocated globally in 2025 — the highest number ever recorded, and a figure forecast to rise to 165,000 in 2026 — are not waiting for New Zealand to be ready. They are making decisions now, through networks of family offices, private banks, and specialist wealth law firms that recommend and reject jurisdictions based on what those jurisdictions currently offer. New Zealand appears on the destination list as a location of safety and aspiration. It disappears from the shortlist the moment post-transitional tax is examined. TRE is the entry ticket that puts it back—not just back on the shortlist, but prominently at its top.

Germany's emergence as a top-four AIP source country — without any targeted marketing effort by New Zealand in that market — is the clearest illustration of what is happening. Enquiries from German households seeking alternative residence rose 114% between 2023 and 2024, driven by a combination of military anxiety and domestic political instability. Those households found New Zealand's backup-plan visa. They did not find a post-transitional tax architecture that made permanent settlement rational. TRE is what converts the signal from backup plan to settlement.

> *New Zealand did not engineer this window. Britain closed its door, Australia locked its gate, and Singapore chose to moderate its welcome. The vacancy is real, time-bounded, and the only English-speaking safe-haven country with zero conflict exposure has not yet produced the product to fill it.*

Conclusion 4: The Cliff Begins at Arrival, Not at Month 49

The most visible consequence of New Zealand's post-transitional tax cliff is the departure at month 49. It is not the most costly one. The PPOA rules — the permanent place of abode provisions that determine tax residency under New Zealand law — create a second and less-discussed dimension of the problem. A transitional resident who acquires deep onshore ties during the four-year window risks being unable to exit New Zealand tax residency cleanly when the cliff arrives. Purchasing property, accepting board positions, making direct equity investments in New Zealand businesses: each of these creates a tie that may constitute irrevocable evidence of a permanent place of abode, converting the four-year transitional holiday into a full New Zealand tax residency that cannot be unwound before month 49 without significant cost and complexity.



The rational response to that risk is documented in the advisory evidence with unusual consistency. Every major firm with UHNWI clients has reached the same conclusion and given the same advice: rent rather than purchase, observe rather than invest, attend meetings rather than accept directorships, leave the lightest possible footprint in the New Zealand economy — because that footprint is what makes a clean exit impossible. The case study at the close of Part Two, section 2.3 of this document illustrates the mechanism precisely. A household that fell in love with New Zealand and wants to stay permanently — that desires to invest in a major mixed-use development in the Auckland CBD capable of employing hundreds of Kiwi construction workers and dozens of permanent staff — has been methodically counselled against every step that would make that commitment real. Not because the adviser is indifferent to New Zealand's interests. Because the adviser understands, correctly, that deep economic ties make a clean exit at month 49 impossible, and that the tax consequences of remaining after month 49 under current settings are disqualifying. The Auckland tower is not built. The Kiwi workers are not hired. The businesses are not started. The irony is that this UHNWI family sincerely desires to invest heavily in our economy, but our tax settings would make doing so irrational. So they are effectively visitors rather than lead investors.

The current architecture therefore imposes two separate costs simultaneously. First, it suppresses the investment, employment creation, and governance participation of every transitional resident for the full four years of their stay — the period during which the government is hosting them and receiving precisely zero foreign-income tax from them. Second, it drives them away at month 49. New Zealand does not merely fail to convert transitional residents into permanent tax residents. It actively discourages, for four full years, the exact economic behaviour it is simultaneously trying to attract.

TRE eliminates both costs in a single legislative act. The twenty-year grandfathered settlement contract — four years of transitional residency followed by sixteen years of elected certainty — removes the cliff. And in removing the cliff, it removes the incentive to maintain the light footprint. The advice changes on the day the contract is elected: you have twenty years of statutory certainty. Invest. Build. Stay. That is not a different tax rate. It is a different relationship between the participant and New Zealand, from day one.

> *The current architecture does not lose the household at month 49. It loses four years of committed economic participation — the investment, the employment, the governance — and then it loses the household anyway. The costs begin on arrival day, not at the cliff.*

Conclusion 5: The Most Identifiable Cohort in the World

57,500 financially qualified households are simultaneously choosing where to spend the next twenty years of their lives. New Zealand has never previously been in a position to give them a reason to look south.

In 2022–23, the United Kingdom hosted 74,000 non-domiciled residents, collectively contributing £8.9 billion annually in income tax, capital gains tax, and national insurance contributions (HMRC, reported in the Financial Times, July 2024). The UK government chose to abolish the non-domicile regime in April 2025 and replace it with New Zealand's current settings: a four-year Foreign Income and Gains transitional window — followed by a cliff. **Within nine months, 16,500 of those 74,000 households had departed.** The remaining 57,500-plus are now in the FIG countdown, making permanent relocation decisions on a compressed timeline.

This is not a hypothetical market. It is the single most identifiable, most motivated, and most accessible cohort of potential TRE participants in the world at this moment. These households have already demonstrated the willingness to relocate for tax certainty: they moved to the United Kingdom, structured their affairs around the non-dom regime, and when the UK chose to dismantle it, many left. They are concentrated in a well-mapped professional community, represented by a small number of specialist private-wealth law firms in London and Geneva, and they are actively comparing the same set of jurisdictions — Italy, Switzerland, the UAE, Singapore — that TRE is benchmarked against. Their financial profiles, their mobility, and their decision timeline map precisely onto the target TRE participant.

New Zealand has not been on their shortlist. The reason is precise and singular: the absence of a post-transitional settlement contract. The UK's FIG offers a four-year window followed by a cliff — which is, structurally, identical to New Zealand's existing transitional residency architecture. The 22% departure rate among UK FIG participants within nine months of its introduction is not only a measure of the UK's failure. It is the most direct available evidence of what New Zealand's identical architecture produces when applied at scale to a documented, quantified population. Applied to the households that evaluated New Zealand's own post-transitional settings and declined to engage, the implication is direct: the 22% who came and left represent a floor, not a ceiling, for the number who declined to come in the first place.

TRE gives this cohort what the UK chose not to offer. The UK made a sovereign policy choice. The households displaced by that choice are not the victims of a natural disaster — they are active decision-makers seeking a jurisdiction with a credible long-term architecture. New Zealand is not poaching. It is making itself available, for the first time, at the precise moment the most motivated and financially qualified cohort in the world is in active decision-making.

The window is not permanently open. The majority of FIG-window decisions will be made within the next 24 to 36 months. Households that commit to Italy, Switzerland, or the UAE during that window will not reconsider. At this level of wealth, with portfolios spanning multiple jurisdictions and structures that take years to reconfigure, a domicile commitment made is a domicile commitment kept. Every month that passes without TRE is a month in which that cohort shrinks — one settled decision at a time — and is not replaced.

> *57,500 financially qualified households are in the FIG countdown right now, making decisions that will not be revisited for twenty years. New Zealand has never previously been able to offer them a reason to look south. TRE is that reason. It will not be this cohort's turn again.*

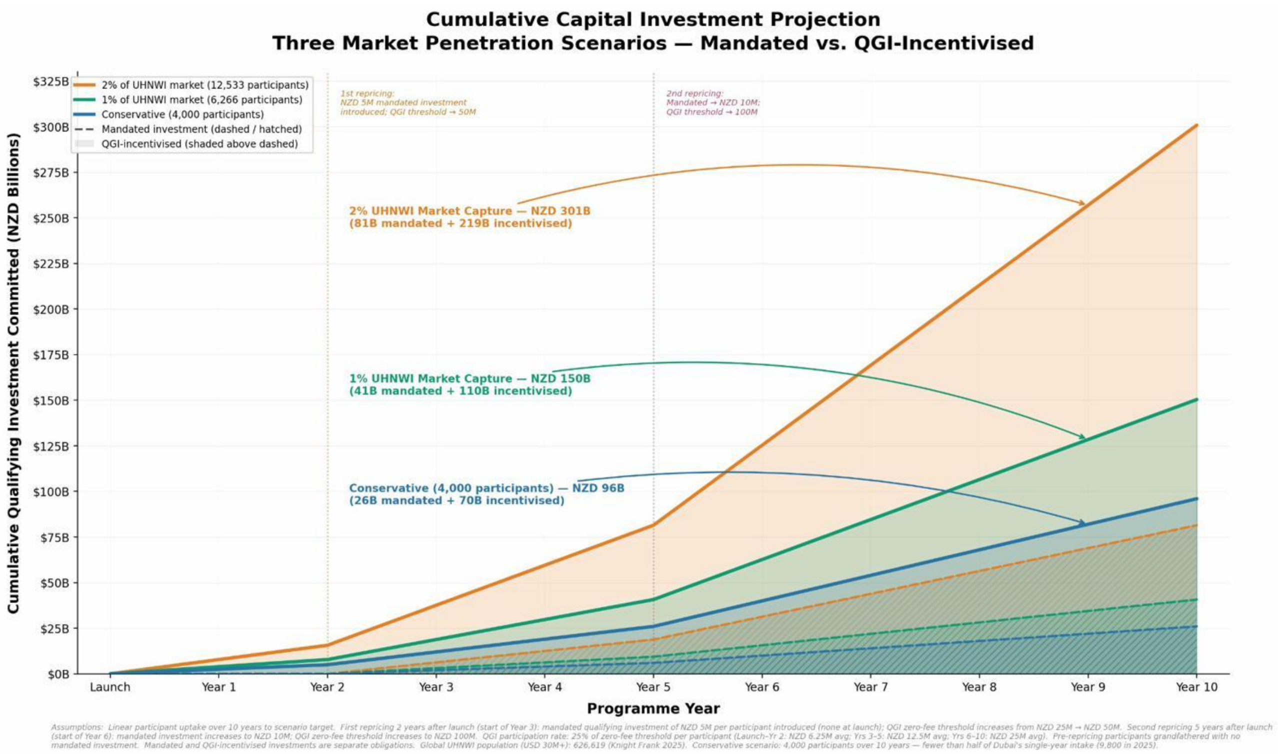
Conclusion 6: The Egalitarian Case, Made Definitively

TRE does not reduce what New Zealand collects from anyone. It begins collecting from people who, under current settings, contribute nothing — because current settings ensure they never come, or leave before they are taxed.

Not a single working New Zealander's tax liability changes under TRE. Not a single public service is funded differently. Not a single marginal rate increases. The income earned in New Zealand — by Kiwi workers, by Kiwi businesses, by TRE participants and non-participants alike — continues to be taxed at the same rates it has always been taxed. TRE participants pay full New Zealand income tax on every dollar they earn from New Zealand sources, at exactly the same marginal rates as every other resident taxpayer. What TRE changes is only this: **the foreign-sourced income that currently goes untaxed, because the households earning it are rationally absent, begins contributing to the Crown.**

In plain terms: one TRE participant paying the NZD 600,000 launch-rate contribution contributes approximately the same to the Crown as the combined annual income tax of around **78 median-wage New Zealand workers**. At the NZD 1,000,000 mature rate, that rises to **130 median-wage workers**. These figures represent the flat contribution alone, before the full NZ income tax those participants pay on every dollar of New Zealand-sourced income, and before the wage tax paid by Kiwi workers employed by participant-funded businesses.

TRE is not a concession to the wealthy. It is the mechanism by which New Zealand collects a material annual contribution from people who would otherwise contribute nothing — because without TRE, they would not be here, or would leave before making any lasting contribution. The participant is not being given a break. They are being given a contract: twenty years of statutory certainty in exchange for a flat annual contribution and a meaningful commitment to New Zealand's productive economy. In return, New Zealand receives committed residents, decades of contributions, and the capital investment those residents bring with them.



Cumulative Capital Investment Projection — Three Market Penetration Scenarios — Mandated vs. QGI-Incentivised. Assumptions: Linear participant uptake over 10 years. First repricing 2 years after launch: mandated qualifying investment of NZD 5M introduced; QGI zero-fee threshold increases from NZD 25M to NZD 50M. Second repricing 5 years after launch: mandated investment increases to NZD 10M; QGI threshold increases to NZD 100M.

The QGI — the Qualifying Growth Investment incentive introduced in Part Three — makes this argument at its most powerful. Participants who invest substantially in New Zealand job-creating businesses can reduce or eliminate their annual flat contribution. The participant who deploys NZD 100 million into qualifying New Zealand enterprises does not pay zero tax. They pay zero TRE flat contribution — and then pay full New Zealand income tax on every dollar of return their investment generates. On a 25% return, that NZD 100 million produces NZD 25 million in New Zealand-sourced income, taxed at the company rate of 28% or the top personal rate of 39%, generating between NZD 7 million and NZD 9.75 million in New Zealand income tax in that year alone. The participant who has worked their flat contribution to zero through qualifying investment is not avoiding New Zealand tax. They are generating considerably more of it, through enterprises that employ New Zealanders and build the productive economy. The following chart shows both dimensions of the programme's value across its first ten years.

These are two columns in the same ledger. Both are currently blank. TRE writes entries in both simultaneously: Crown revenue that does not currently exist, and committed capital investment that New Zealand's current architecture actively prevents. The egalitarian case for TRE is not that it is fair to the wealthy. It is that it is rational for New Zealand.

> *TRE does not give wealthy migrants a tax break. It gives New Zealand a revenue stream that currently does not exist, from people who currently pay nothing — because current settings guarantee they never arrive, or that they leave before contributing anything at all.*

* * *

The six conclusions above are not projections. They are the logical endpoints of facts already in the public record: in the files of every major New Zealand advisory firm, and in the government's own consultation documents and ministerial statements.

The FIF architecture is broken and the government knows it. The cliff drives away the households New Zealand is trying to attract, and the PPOA rules ensure those households spend their transitional years minimising their economic footprint rather than maximising it. Three of the world's most significant competitor programmes have simultaneously vacated the market. A documented pipeline of 1,833 applicants and NZD 3.39 billion in committed investment is sitting in a government database, generating no Crown revenue from foreign-sourced income, because the programme that converts that pipeline into committed tax residents does not yet exist. The most identifiable and motivated cohort of potential TRE participants in the world — 57,500 UK non-doms in active permanent relocation decision-making — is making those decisions now, this quarter, and New Zealand is absent from their shortlists for a single, specific, and entirely correctable reason.

None of this requires further diagnosis. It requires a decision and immediate action. The architecture is complete, the legislative path is clear, and the window — measurable in months, not years — is open. Italy repriced twice and grew through every repricing — not because it manufactured demand, but because it offered a credible, permanent contract to a market that had been waiting for one. New Zealand is that market's clear first-choice answer on every dimension except the one TRE corrects. The households choosing permanent homes this quarter are choosing between programmes that exist, not programmes under consideration. Every week that passes without TRE is a week in which a family office that would have chosen New Zealand chooses Italy instead, and does not reconsider — because settlement decisions at this level, for households with complex multi-jurisdictional structures, are not easily reversed. The foregone contribution of each such household is not deferred. It is permanently assigned elsewhere.

> *The world has assembled the largest cohort of displaced, motivated, geopolitically anxious, financially qualified households in recorded history, and the only English-speaking country with zero conflict exposure, a common-law framework, and genuine geographic safety from every theatre of current instability is sitting on the architecture it needs to receive them. The question is not whether New Zealand can do this. It is whether New Zealand will decide to seize the opportunity before the window closes. A simple settings adjustment will change everything.*

ANNEX A: Full TRE Terms Sheet

Technical Reference — For Treasury and Inland Revenue Officials

This Annex is addressed to Treasury and Inland Revenue officials. It is the single-source reference document for the complete TRE regime specification. The main body of this proposal summarises design features at a level appropriate for Ministers; this Annex supplies the precise technical parameters on which legislative drafting instructions would be based. All cross-references to other Annexes are noted in-line.

A.1 — Interpretation and Defined Terms

The following terms have the meanings assigned below wherever they appear in this Annex or in any cross-referenced Annex. Where a term is not defined here, it carries the meaning assigned to it under the Income Tax Act 2007 or the Tax Administration Act 1994, as applicable.

Ambassador means a Participating Individual who has registered under the Wealth Migration Ambassador Credit scheme pursuant to section A.15 and holds a current referral code issued by Inland Revenue.

Annual Contribution means the amount payable by a Participating Individual for a Contribution Year under either the US Track (as a cap on net NZ tax liability on Qualifying Offshore Income) or the Global Track (as a flat fee in lieu of NZ tax on Qualifying Offshore Income), calculated by reference to the Grandfathered Rate applicable to that individual, reduced by any Qualifying Growth Investment reduction and any WMAC Credit applied in that year, but not reduced below zero.

Applicable Zero-Fee Level means the total post-AIP qualifying investment threshold at which a Participating Individual's Annual Contribution (including all Dependent Contributions) is reduced to zero, as set at each Repricing Event: NZD 25,000,000 at launch; NZD 50,000,000 following the first Repricing Event; NZD 100,000,000 following the second Repricing Event. The Applicable Zero-Fee Level is fixed at the level in effect at the Participating Individual's Election Date for the full 16-year term.

Contribution Year means each of the 16 income years comprising the Elective Period, beginning with the income year immediately following the final year of the Transitional Period.

Dependent Contribution means the annual amount payable in respect of each Eligible Dependent included on a Participating Individual's Election Certificate, set at NZD 100,000 per Eligible Dependent at launch, subject to escalation at each Repricing Event and grandfathered at the rate in effect at the Participating Individual's Election Date.

Election Certificate means the certificate issued by Inland Revenue to a Participating Individual upon valid election into TRE, recording the particulars prescribed in section A.16.

Election Date means the date on which a complete and valid election notice is lodged with Inland Revenue by the Participating Individual. The Election Date determines the Grandfathered Rate, the Grandfathered Zero-Fee Level, and the Qualifying Investment threshold applicable to that individual for the full 16-year Elective Period.

Elective Period means the 16 consecutive income years of TRE participation, commencing immediately after the end of the Transitional Period and ending at the later of the 16th such income year or the date on which the regime otherwise lapses or terminates in accordance with section A.9.

Eligible Dependent means a spouse or civil union partner of a Participating Individual, or a child of a Participating Individual who is under 18 years of age at the commencement of the relevant Contribution Year, who is included on the Participating Individual's Election Certificate and who is themselves a New Zealand tax resident during the relevant period.

Global Track means the flat-fee participation pathway available to Participating Individuals who are not subject to citizenship-based taxation, under which a fixed Annual Contribution is paid in lieu of NZ income tax on Qualifying Offshore Income, without requirement for detailed per-source disclosure of that income. See section A.6.

Grandfathered Rate means the Annual Contribution rate (principal applicant component) and Dependent Contribution rate applicable to a Participating Individual, fixed at the rates in effect on that individual's Election Date and held constant for the full Elective Period regardless of subsequent Repricing Events.

Lapse Date means the date on which a Participating Individual's TRE election lapses pursuant to section A.9, being the last day of the first Contribution Year at the end of which the Participating Individual's Cumulative Presence Days fall below the Rising Cumulative Minimum days of presence for that year.

NZ-Origin Capital means wealth that was generated from New Zealand sources during any period of New Zealand tax residency by the Participating Individual or any associated person, whether or not that wealth was subsequently transferred offshore. NZ-Origin Capital is excluded from the definition of Qualifying Offshore Capital. Full mechanics are set out in Annex C.

Participating Individual means a natural person who has made a valid election into TRE in accordance with section A.7 and whose election has not lapsed or been withdrawn.

Principal Contribution means the Annual Contribution payable in respect of the Participating Individual themselves (excluding Dependent Contributions), set at NZD 600,000 at launch, subject to escalation at each Repricing Event and grandfathered at the rate in effect at the Participating Individual's Election Date.

Qualifying Growth Investment or **QGI** means an investment in qualifying New Zealand productive assets made by a Participating Individual after the date of their AIP visa grant (where applicable) or after the commencement of their New Zealand tax residency (where no AIP visa was held), which meets the category requirements set out in section A.14 and Annex E.

Qualifying Investment means the minimum capital deployment into qualifying New Zealand productive assets required as a condition of TRE election, as described in section A.12. No Qualifying Investment is required at launch. On introduction at the first Repricing Event, the threshold is NZD 5,000,000. This requirement is distinct from, and in addition to, any investment made in connection with an Active Investor Plus visa.

Qualifying Offshore Capital or **QOC** means wealth held by a Participating Individual that was not generated from New Zealand sources during any period of New Zealand tax residency. Income attributable to QOC is the income to which the Annual Contribution applies. Full mechanics, including the round-trip blocking rule and application to returning New Zealanders, are set out in Annex C.

Qualifying Offshore Income means income derived from Qualifying Offshore Capital during a Contribution Year, being the income base to which the Annual Contribution applies under either Track.

Repricing Event means a scheduled increase in the Principal Contribution rate and associated adjustments to the Applicable Zero-Fee Level and (when introduced) the Qualifying Investment threshold, announced by the Minister of Revenue in accordance with the pre-announced escalation schedule. Repricing Events apply to new entrants only; existing Participating Individuals are grandfathered at their Election Date rates.

Rising Cumulative Minimum means the minimum cumulative number of days of physical presence in New Zealand that a Participating Individual must have accumulated by the end of each Contribution Year, calculated as 90 days multiplied by the number of completed Contribution Years. The Rising Cumulative Minimum for year 1 is 90 days; for year 2, 180 days; and so on to a total of 1,440 days by the end of year 16. See section A.8.

Total TRE Obligation means, for a given Contribution Year, the sum of the Principal Contribution and all Dependent Contributions payable by a Participating Individual, before application of any QGI reduction or WMAC Credit.

Transitional Period means the initial four income years of New Zealand tax residency during which the existing transitional tax resident concessions under the Income Tax Act 2007 apply. The Elective Period commences immediately after the Transitional Period ends.

US Track means the cap-based participation pathway available to Participating Individuals subject to citizenship-based taxation (including US citizens and US green card holders), under which NZ tax liability on Qualifying Offshore Income is calculated under standard NZ rules and then capped at a level that constitutes a creditable foreign income tax for US Foreign Tax Credit purposes. See section A.5.

WMAC Credit means a credit earned by an Ambassador under the Wealth Migration Ambassador Credit scheme, applied as a reduction against future Annual Contributions in accordance with section A.15. WMAC Credits may only be applied against TRE Annual Contribution obligations. They may not be applied against any other NZ tax liability, including income tax on NZ-sourced income, GST, or any other tax or levy administered by Inland Revenue outside the TRE regime.

A.2 — Programme Architecture

A.2.1 The 4+16 Structure

TRE operates as a two-phase regime that sits within, and builds upon, the existing New Zealand tax residency framework. It does not replace or modify the transitional tax resident rules; those rules remain unchanged. TRE is a separate elective body of law that a qualifying transitional tax resident may opt into, subject to the conditions set out below. No amendment to the transitional residency provisions of the Income Tax Act 2007 is intended or required as a condition of enacting TRE.

Phase 1 — Transitional Period (years 1–4). The existing transitional tax resident concessions under the Income Tax Act 2007 apply unchanged to all transitional tax residents, whether or not they elect into TRE. During this phase, eligible individuals are exempt from NZ income tax on most foreign-sourced income under current law. No TRE Annual Contribution obligation arises during the Transitional Period. However, a transitional tax resident who has satisfied the applicable Qualifying Investment threshold prevailing at the time of election may elect into TRE at any point during this phase. The act of election locks in the Grandfathered Rate, the Grandfathered Zero-Fee Level, and the Qualifying Investment threshold applicable at the Election Date.

The Qualifying Investment condition for election is:

Programme Phase	Minimum Qualifying Investment to Elect
Launch (no repricing yet)	Nil — election available without investment prerequisite
After first Repricing Event	NZD 5,000,000 (beyond any AIP-related investment)
After second Repricing Event	NZD 10,000,000 (beyond any AIP-related investment)

Early election during the Transitional Period is economically rational where Repricing Events are anticipated, since the Election Date determines the Grandfathered Rate for the full 16-year Elective Period. The Qualifying Investment prerequisite is a condition to opt into TRE; it is not a modification of, or addition to, the eligibility conditions for transitional tax residency itself, which remain governed entirely by existing law.

Phase 2 — Elective Period (years 5–20). Immediately upon expiry of the Transitional Period, a Participating Individual's TRE obligations commence. The Annual Contribution (Principal Contribution plus any Dependent Contributions, reduced by any QGI reduction and any WMAC Credits applied) becomes payable for each Contribution Year. Qualifying Offshore Income is sheltered from standard NZ income tax for as long as the election remains in force and the Rising Cumulative Minimum number of days present in New Zealand is maintained. NZ tax on all NZ-sourced income continues to apply in full under standard rules throughout both phases, without modification.

The 4+16 structure is illustrated below:

Phase	Income Years	NZ Tax on Foreign Income	TRE Obligation	Election Status
Transitional Period	Years 1–4	Exempt (existing law)	None	May elect if Qualifying Investment met
Elective Period	Years 5–20	Annual Contribution only	Active	Locked at Election Date
Post-TRE / Lapsed	Year 21+	Standard NZ rules apply	Nil	Expired or lapsed

A.2.2 The Two-Track Structure

TRE is a single regime with two participation pathways, differentiated by the tax system to which the Participating Individual is subject in their jurisdiction of prior residence or citizenship. The two Tracks share the same 4+16 architecture, the same eligibility conditions, the same residency requirements, and the same escalation and grandfathering mechanics. They differ in the technical mechanism by which the Annual Contribution is calculated and in the disclosure requirements imposed on Participating Individuals.

Track 1 — US Track (cap mechanism). Designed for individuals subject to citizenship-based taxation, including US citizens and US lawful permanent residents. Under the US Track, NZ tax on Qualifying Offshore Income is first calculated under standard NZ rules (including the Foreign Investment Fund rules as reformed), and a cap is then applied. The cap is set at a level that constitutes a creditable foreign income tax for purposes of the US Foreign Tax Credit under IRC §904. This structure preserves the NZ tax as a genuine income tax in the hands of a US participant — a necessary condition for FTC creditability — while providing the certainty of a fixed maximum annual liability. Disclosure of foreign income by source is required to the extent necessary to calculate the underlying NZ tax before the cap is applied. Full technical architecture, including the deemed income formula and interaction with IRC §877A exit tax rules, is set out in Annex B.

Track 2 — Global Track (flat fee). Designed for individuals not subject to citizenship-based taxation, including European, Asian, Middle Eastern, and other non-US nationals. Under the Global Track, a fixed Annual Contribution is paid in lieu of NZ income tax on all Qualifying Offshore Income. No per-source disclosure of foreign income is required on NZ tax returns. Privacy is a deliberate and marketable design feature, comparable to Italy's *imposta sostitutiva* regime and the Swiss *forfait fiscal*. Global Track participants remain subject to all applicable CRS and FATCA reporting obligations in their jurisdictions of account, but those obligations do not require disclosure to Inland Revenue of the composition of a participant's offshore portfolio.

Track changes during the Elective Period. A Participating Individual may change their elected Track by written notice to Inland Revenue. A Track change takes effect from the first day of the Contribution Year following the date on which the notice is received and accepted by Inland Revenue. This provision accommodates material changes in a Participating Individual's circumstances — in particular, where their country of citizenship or prior residence introduces or repeals citizenship-based taxation during the Elective Period, making continuation on the original Track either unnecessary or non-compliant. A Track change does not affect the Grandfathered Rate, the Grandfathered Zero-Fee Level, or any other grandfathered parameter. Inland Revenue may prescribe the form and content of a Track change notice.

The two-track framing — two doors into one building — is confirmed design architecture. Legislative drafting instructions should reflect a single bill with two schedules: Schedule 1 (US Track) and Schedule 2 (Global Track), with shared provisions (eligibility, residency, grandfathering, QGI, WMAC) housed in the principal enactment.

A.2.3 Scope of NZ Tax Obligations — What TRE Does and Does Not Change

For the avoidance of doubt in legislative drafting, the following matrix sets out the complete treatment of all principal income types for Participating Individuals under TRE.

Income Type	Standard NZ Treatment	TRE Treatment	Changed?
NZ-sourced employment income	Marginal rate (up to 39%)	Marginal rate (up to 39%)	No
NZ-sourced business income	Marginal rate (up to 39%)	Marginal rate (up to 39%)	No
NZ-sourced rental income	Marginal rate (up to 39%)	Marginal rate (up to 39%)	No
NZ-sourced dividends and interest	Withholding tax / marginal rate	Withholding tax / marginal rate	No
GST on NZ consumption	Standard rate (15%)	Standard rate (15%)	No
Foreign income — QOC (Global Track)	Marginal rate (up to 39%)	Annual Contribution (flat fee)	Yes
Foreign income — QOC (US Track)	Marginal rate (up to 39%)	Annual Contribution (capped)	Yes
Foreign income — NZ-Origin Capital	Marginal rate (up to 39%)	Marginal rate (up to 39%)	No
Capital gains (NZ or offshore)	No general CGT under current law	No general CGT (unchanged)	No

NZ-sourced income for the purposes of this matrix means income earned in New Zealand through wages or salary, the operation of a business in New Zealand, or domestic NZ investment income (including NZ-resident company dividends, NZ bank interest, and NZ rental returns). Growth in the value of, or income derived from, offshore assets and investments held as Qualifying Offshore Capital at the time of the Participating Individual's election does not become NZ-sourced by reason only of the Participating Individual having taken up New Zealand tax residency. All growth and income flows attributable to offshore capital remain offshore capital for TRE purposes, regardless of when that growth accrues relative to the Election Date. Full mechanics of the QOC/NZ-Origin Capital distinction, including the round-trip blocking rule and treatment of returning New Zealanders, are set out in Annex C.

A.2.4 Legislative Vehicle

TRE is intended to be enacted as a standalone bill amending the Income Tax Act 2007, inserting a new subpart (recommended designation: subpart EX-TRE or equivalent) with two schedules. The Extended Residency and Migration (RAM) provisions currently before Parliament provide legislative precedent and partial administrative infrastructure on which TRE builds; the drafting instructions for TRE should be coordinated with IRD's RAM implementation team to avoid definitional inconsistency. The key coordination points are: the definition of transitional tax residency as the eligibility gateway; the exit tax provisions in the RAM bill; and any FIF reform provisions progressing in parallel, which affect the calculation base for US Track participants.

A.3 — Eligibility Conditions

A.3.1 Overview

Eligibility to elect into TRE is governed by five cumulative conditions. A person must satisfy all five conditions to make a valid election. The conditions are: (1) New Zealand tax residency; (2) transitional tax resident status at the time of election; (3) the prior non-residence requirement; (4) satisfaction of the applicable Qualifying Investment threshold; and (5) passage of enhanced source-of-funds and source-of-wealth verification. Each is addressed in turn below.

A.3.2 Condition 1 — New Zealand Tax Residency

The person must be a New Zealand tax resident as determined under section YD 1 of the Income Tax Act 2007 (the 183-day rule or the permanent place of abode rule) at the time the election notice is lodged with Inland Revenue. Non-resident individuals may not elect into TRE. There is no requirement to hold any particular class of visa as a condition of NZ tax residency or TRE eligibility — see A.3.6 on visa neutrality.

A.3.3 Condition 2 — Transitional Tax Resident Status

The person must be a transitional tax resident within the meaning of section HC 1 of the Income Tax Act 2007 at the time of election. Transitional tax resident status requires, among other things, that the person has not been a New Zealand tax resident at any time in the ten years immediately preceding the commencement of their current period of NZ tax residency (the prior non-residence requirement — see A.3.4 below). The election must be made during the Transitional Period; a person who allows their Transitional Period to expire without electing into TRE permanently loses the right to do so.

The practical implication for prospective participants and their advisers is significant: the election decision must be made, and any applicable Qualifying Investment must be in place, before the end of the fourth income year of NZ tax residency. There is no provision for retrospective election or late election outside this window.

A.3.4 Condition 3 — Prior Non-Residence Requirement

The person must not have been a New Zealand tax resident at any time in the ten income years immediately preceding the commencement of their current period of NZ tax residency. This condition is identical to the existing prior non-residence requirement for transitional tax resident status under section HC 1 and requires no additional legislative specification for TRE purposes. It is restated here for completeness, since it operates as a screen against the round-trip scenario in which a New Zealand resident earns wealth in New Zealand, departs, and subsequently returns seeking to have NZ-origin wealth treated as Qualifying Offshore Capital.

A.3.5 Condition 4 — Qualifying Investment Threshold

The person must have made the Qualifying Investment applicable at the time of their election, as set out in the table in section A.2.1 and described in full in section A.12. At launch, no qualifying investment is required and this condition is satisfied automatically. Following the first Repricing Event, the threshold is NZD 5,000,000; following the second Repricing Event, NZD 10,000,000. In all cases, investment made in connection with an Active Investor Plus visa does not count toward the Qualifying Investment threshold — the threshold is above and beyond any AIP-related investment obligation.

A.3.6 Visa Neutrality

TRE eligibility is expressly visa-neutral. The sole residency-related eligibility condition is that the person qualifies as a transitional tax resident under the existing rules of the Income Tax Act 2007. The visa category, if any, under which the person obtained New Zealand residency is irrelevant. This means the regime is equally available to AIP visa holders, Australian citizens and permanent residents arriving under the Trans-Tasman Travel Arrangement, and any other person who satisfies the transitional tax residency conditions under current law — including those who obtained residency through skilled migrant, investor, family, or other categories. No amendment to any visa category rules is required or intended.

A.3.7 Condition 5 — Source-of-Funds and Source-of-Wealth Verification

Every TRE applicant must pass enhanced source-of-funds (SOF) and source-of-wealth (SOW) verification as a condition of election. This requirement is consistent with New Zealand's obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and with the enhanced due diligence standards applicable to high-value customers under that Act. The practical administration of this condition should be aligned with the SOF/SOW verification already required under the AIP programme, to avoid duplicative documentation burdens for AIP participants who are also electing into TRE.

The SOF/SOW condition serves two purposes. First, it provides the integrity screen that TRE requires as a high-profile elective regime. Second, it provides documented evidentiary support for the QOC determination, since the source-of-wealth declaration will typically establish the offshore origin of the capital base to which the Annual Contribution applies. Inland Revenue should coordinate with the Financial Intelligence Unit and Immigration New Zealand on the prescribed form and depth of verification required.

A.3.8 Eligibility — Summary Table

Eligibility Condition	Requirement	Legislative Source
NZ tax residency	Must be NZ tax resident at time of election	ITA 2007, s YD 1
Transitional tax resident status	Must be in the Transitional Period at time of election	ITA 2007, s HC 1
Prior non-residence	Not NZ tax resident in prior 10 income years	ITA 2007, s HC 1
Qualifying Investment	Nil at launch; NZD 5m after first repricing; NZD 10m after second repricing (above and beyond AIP)	TRE Schedule
Source-of-funds / source-of-wealth	Enhanced SOF/SOW verification required	AML/CFT Act 2009; TRE regulations
Visa category	None required — visa-neutral	TRE principal enactment

A.4 — Contribution Rates and Pricing Structure

A.4.1 Launch Rates

The Annual Contribution payable by a Participating Individual comprises a Principal Contribution in respect of the principal applicant and, where applicable, a Dependent Contribution in respect of each Eligible Dependent included on the Election Certificate. At launch, the rates are:

Component	Annual Amount (NZD)
Principal Contribution (principal applicant)	600,000
Dependent Contribution (per Eligible Dependent)	100,000

For illustration, the total Annual Contribution for common family configurations at launch rates is:

Household Configuration	Annual Contribution (NZD)
Single participant, no dependents	600,000
Couple (principal + 1 spouse/partner)	700,000
Family of three (principal + spouse + 1 child)	800,000
Family of four (principal + spouse + 2 children)	900,000

The figures above represent the gross Annual Contribution before application of any Qualifying Growth Investment reduction (section A.14) or WMAC Credit (section A.15).

A.4.2 Escalation Schedule and Repricing Events

TRE is designed with a pre-announced escalation schedule. Price increases apply to new entrants only; existing Participating Individuals are grandfathered at their Election Date rates for the full 16-year Elective Period. The escalation model serves two concurrent policy objectives: it creates a genuine and rational incentive for eligible individuals to elect early, locking in the founding rate before increases take effect; and it signals to the market that TRE is a growing and successful programme — consistent with the precedent set by Italy's *imposta sostitutiva*, which has been repriced upward three times (EUR 100,000 at launch in 2017; EUR 200,000 from August 2024; EUR 300,000 from January 2026) while participant numbers continued to grow at each repricing.

The indicative escalation trajectory is set out below. Specific repricing thresholds and timing are policy decisions for the Minister of Revenue; the figures below represent the design intent and should be treated as indicative parameters for revenue modelling purposes.

Programme Stage	Principal Contribution (NZD)	Dependent Contribution (NZD)	Qualifying Investment Threshold	Applicable Zero-Fee Level (QGI)
Launch	600,000	100,000	Nil	NZD 25,000,000
After first Repricing Event	TBD (indicative: 750,000–900,000)	TBD	NZD 5,000,000	NZD 50,000,000
After second Repricing Event	TBD (indicative: 1,000,000+)	TBD	NZD 10,000,000	NZD 100,000,000

The pre-announcement of repricing events, with reasonable notice before each increase takes effect, is a confirmed design feature. The minimum notice period before a repricing takes effect should be specified in the principal enactment — a period of not less than six months is recommended.

A.4.3 Grandfathering — Rate Lock Mechanics

Upon election, a Participating Individual's Principal Contribution rate and Dependent Contribution rate are fixed at the rates in effect on their Election Date and remain constant for the full 16-year Elective Period, regardless of subsequent Repricing Events. This rate lock is recorded on the Election Certificate issued by Inland Revenue (see section A.16) and constitutes the binding contractual basis on which the Participating Individual has committed to New Zealand tax residency.

Grandfathering applies to:

- The Principal Contribution rate
- The Dependent Contribution rate
- The Applicable Zero-Fee Level for QGI reduction purposes
- The Qualifying Investment threshold applicable at the time of election

Grandfathering does not apply to:

- The number or identity of Eligible Dependents — changes to family composition are reflected in the Annual Contribution at the grandfathered per-dependent rate
- Track selection — a Participating Individual may change Track by notice to Inland Revenue under section A.2.2, without affecting any grandfathered rate
- QGI reduction calculations — these are calculated against the grandfathered rate and zero-fee level, but the quantum of qualifying investment held at any point in time is a current-year determination

The grandfathering protection may be overridden only by an explicit Act of Parliament. This standard is intentionally high: grandfathering converts the policy into a contract, and the legislative entrenchment of that protection is what gives it credibility in the eyes of HNWI households and their advisers.

A.4.4 Addition of Dependents After Election

Where a Participating Individual acquires a new Eligible Dependent after the Election Date — through marriage, civil union, or the birth or adoption of a child — that dependent may be added to the Election Certificate by notice to Inland Revenue. The Dependent Contribution payable in respect of a newly added dependent is calculated at the Participating Individual's grandfathered Dependent Contribution rate. An amended Election Certificate is issued by Inland Revenue upon acceptance of the notice.

Where a dependent ceases to qualify — because a child reaches 18 years of age, or because a spousal relationship ends — the Dependent Contribution in respect of that person ceases from the first day of the following Contribution Year. Inland Revenue should prescribe a notification requirement for departing dependents.

A.4.5 Currency and Payment Mechanics

All Annual Contributions are denominated and payable in New Zealand dollars. Contributions are due and payable to Inland Revenue on the standard income tax payment date for the relevant Contribution Year. Inland Revenue may prescribe instalment arrangements consistent with its standard provisional tax administration framework, provided that the total Annual Contribution for each Contribution Year is paid in full by the relevant terminal tax date. Late payment will attract use-of-money interest and penalties under the Tax Administration Act 1994. There is no provision for payment of the Annual Contribution in foreign currency or in kind.

A.4.6 Interaction Between Annual Contribution and Other NZ Tax Obligations

The Annual Contribution is payable in addition to, and not in substitution for, any NZ tax liability on NZ-sourced income. A Participating Individual who earns NZ-sourced employment income, business income, or domestic investment income in a Contribution Year remains fully liable for NZ income tax on that income at standard marginal rates. The Annual Contribution discharges only the NZ income tax liability on Qualifying Offshore Income for the relevant Contribution Year. It does not affect GST obligations, ACC levies, KiwiSaver obligations (where applicable), or any other NZ fiscal obligation.

A.5 — Track 1: US Track (Cap Mechanism)

A.5.1 Policy Rationale and Design Constraint

The US Track exists because a material proportion of prospective TRE participants — approximately 40% of current AIP applicants are US nationals — are subject to citizenship-based taxation under the US Internal Revenue Code. Unlike participants from territorial or residence-based tax systems, US citizens and green card holders remain subject to US federal income tax on their worldwide income regardless of where they reside. A flat fee paid to a foreign government in lieu of tax on offshore income would not, in itself, constitute a creditable foreign income tax for US Foreign Tax Credit purposes under IRC §901 and §903, because it would lack the character of an income tax.

The US Track resolves this by preserving the character of the NZ levy as a genuine income tax. NZ tax on Qualifying Offshore Income is calculated under standard NZ rules first; the cap is then applied as a ceiling on that calculated liability. The resulting payment is a real NZ income tax that happens to be capped — not a fee that happens to resemble a tax. This distinction is the structural basis for FTC creditability and must be preserved in legislative drafting. The full FTC compatibility analysis is set out in Annex B. This section states the operative term-sheet parameters.

A.5.2 Mechanism: Calculation Sequence

For a US Track Participating Individual, the Annual Contribution for a Contribution Year is determined by the following sequence:

Step 1 — Calculate gross Qualifying Offshore Income.

The Participating Individual discloses sufficient information about their offshore income and assets to permit calculation of their NZ tax liability on Qualifying Offshore Income under standard NZ rules. The minimum required disclosure is set out in A.5.4 below.

Step 2 — Apply standard NZ tax rules.

NZ income tax on the disclosed Qualifying Offshore Income is calculated under the Income Tax Act 2007 as it would apply to a standard NZ tax resident, including application of the Foreign Investment Fund rules (as reformed) to offshore portfolio equity interests, the Controlled Foreign Company rules to offshore entities in which the participant holds an attributing interest, and the financial arrangement rules to offshore debt instruments. The resulting figure is the participant's Uncapped NZ Tax Liability.

Step 3 — Apply the cap.

If the Uncapped NZ Tax Liability is less than or equal to the participant's grandfathered Total TRE Obligation, the participant pays the Uncapped NZ Tax Liability in full. No cap reduction applies. If the Uncapped NZ Tax Liability exceeds the Total TRE Obligation, the participant pays the Total TRE Obligation and the excess liability is extinguished. The cap operates as a ceiling, not a floor.

Step 4 — Apply QGI reductions and WMAC Credits.

Any Qualifying Growth Investment reduction (section A.14) and any WMAC Credits available for application (section A.15) are applied to reduce the capped liability calculated at Step 3. The resulting figure is the Annual Contribution payable for that Contribution Year.

This sequence is illustrated in the following table for a single US Track participant at launch rates with a grandfathered Principal Contribution of NZD 600,000:

Scenario	Uncapped NZ Tax Liability	Cap (Total TRE Obligation)	Annual Contribution Payable
Low offshore income year	NZD 180,000	NZD 600,000	NZD 180,000
Moderate offshore income year	NZD 450,000	NZD 600,000	NZD 450,000
Cap applies	NZD 950,000	NZD 600,000	NZD 600,000
Cap applies + QGI 30% reduction	NZD 950,000	NZD 600,000	NZD 420,000

In years where the Uncapped NZ Tax Liability falls below the cap, the US Track participant pays less than the equivalent Global Track participant would pay for the same year — the cap functions as a guarantee against overcharge, not a guarantee of the launch-rate amount. The cap is applied against the Total TRE Obligation, not against the Principal Contribution alone.

A.5.3 FTC Creditability — Conditions Preserved in Legislative Drafting

For the capped NZ tax to be creditable against US federal income tax under IRC §904, four conditions must be satisfied. These conditions constrain the legislative drafting of the US Track and must not be compromised:

(a) Income tax character. The levy must be a tax on net income, not a gross receipts tax, a fee, or a minimum tax unconnected to actual income. The calculation sequence in A.5.2 preserves this by deriving the Annual Contribution from an actual income tax calculation, with the cap applied thereafter.

(b) Substantial conformity. The income base on which NZ tax is calculated must be substantially the same income as is subject to US tax. The QOC definition in Annex C and the disclosure requirements in A.5.4 are designed to ensure sufficient conformity.

(c) No soak-up tax. The NZ tax must not be imposed primarily to soak up available US FTCs. The fact that the Annual Contribution applies in years where the Uncapped NZ Tax Liability falls below the cap demonstrates that the charge is a genuine income tax and not calibrated to the participant's US position.

(d) Creditability under the NZ-US DTA. Inland Revenue should seek a formal view from the IRS or a qualified US tax opinion on DTA compatibility at the design phase. Full analysis is in Annex B.

A.5.4 Disclosure Requirements

US Track participants are required to provide Inland Revenue with sufficient disclosure to complete the Step 2 calculation. The minimum required disclosure for each Contribution Year is:

Asset / Income Category	Required Disclosure
Offshore portfolio equity interests (FIF)	Market value at measurement date; FDR income calculated under standard FIF rules; or comparative value method election where applicable
Controlled foreign company interests	Attribution calculations under CFC rules; attributed income by entity
Offshore debt instruments	Principal, interest rate, term; financial arrangement income calculated under standard rules

Asset / Income Category	Required Disclosure
Offshore real property	Rental income derived; expenses claimed; net income
Other offshore income sources	Gross income by category sufficient to apply standard NZ income tax rules

The disclosure requirement applies to income attributable to Qualifying Offshore Capital only. Inland Revenue should develop a prescribed supplementary disclosure form for US Track participants, analogous to the existing FIF disclosure schedules, designed in consultation with practitioners experienced in both NZ and US international tax.

A.5.5 Standalone Module Principle

The US Track is designed as a standalone legislative module. Changes to US tax law — including changes to the IRC §901 creditability rules, the §904 limitation basket rules, or the §877A exit tax — may require corresponding adjustments to the US Track without any consequential change to the Global Track or the shared provisions of the principal enactment. The legislative architecture should reflect this by housing the US Track in a self-contained Schedule with its own operative provisions. If the US Track is determined to be non-creditable under US law following enactment, it can be suspended, amended, or replaced without disturbing the Global Track or the participation of the larger cohort of non-US Participating Individuals.

A.5.6 Interaction with IRC §877A Exit Tax

TRE participation does not trigger IRC §877A — it is a NZ tax election, not a change in US citizenship or residency status. A US Track participant who subsequently renounces US citizenship or terminates their green card during the Elective Period will be subject to §877A on the US side; following renunciation, the individual is no longer subject to US citizenship-based taxation and may apply to transfer to the Global Track by notice to Inland Revenue under section A.2.2. The timing and mechanics of such a Track change following a §877A event should be addressed in the US Track legislative schedule. Full analysis is in Annex B.

A.6 — Track 2: Global Track (Flat Fee)

A.6.1 Policy Rationale and Design Intent

The Global Track is the primary participation pathway for TRE. The majority of prospective participants — European, Asian, Middle Eastern, and other nationals whose countries of residence operate territorial or residence-based tax systems — are not subject to citizenship-based taxation in their countries of prior residence. This includes most European Union member states, the United Kingdom, Singapore, Hong Kong, and the majority of Asia-Pacific jurisdictions. It does not include the United States or other countries that impose income tax on their citizens' worldwide income regardless of residence; nationals of those countries require the US Track architecture described in section A.5, or an equivalent cap-based mechanism, to achieve a creditable NZ tax liability. For all other nationals, the Global Track applies.

The Global Track takes full advantage of this simpler architecture. A fixed Annual Contribution is paid to Inland Revenue in lieu of all NZ income tax on Qualifying Offshore Income. The contribution is payable regardless of the actual quantum of offshore income earned in the relevant Contribution Year. No per-source disclosure of the composition or quantum of the participant's offshore portfolio is required on NZ tax returns. This design produces three commercially significant features:

(a) Certainty. The Global Track participant knows their maximum NZ tax exposure on offshore income from the moment of election. Planning and investment decisions can be made with complete NZ tax certainty for the full 16-year Elective Period.

(b) Privacy.

(c) Simplicity. The compliance burden for Global Track participants is materially lower than for either standard NZ tax residents or US Track participants. Annual filing obligations are limited to: declaration of NZ-sourced income on the standard NZ return; payment of the Annual Contribution; and maintenance of election and residency records required for Inland Revenue administration.

A.6.2 Annual Contribution — Flat Fee Structure

Under the Global Track, the Annual Contribution for a Contribution Year is the participant's Total TRE Obligation for that year — being the Principal Contribution plus all applicable Dependent Contributions at the participant's grandfathered rates — reduced by any Qualifying Growth Investment reduction applicable under section A.14 and any WMAC Credits applied under section A.15.

The flat fee is not adjusted upward for high-income years, nor reduced downward for low-income years. A Global Track participant who earns NZD 500,000,000 of offshore income in a Contribution Year pays the same Annual Contribution as a participant who earns NZD 1,000,000 in the same year. The contribution is the tax, and the tax is the contribution. The policy justification is the counterfactual: in the absence of TRE, neither participant would pay any NZ tax on offshore income after the Transitional Period, because both would leave.

The flat fee structure has one important consequence for legislative drafting: the Annual Contribution under the Global Track cannot be characterised as an income tax in the technical sense — it is not calculated by reference to income. This is structurally identical to Italy's *imposta sostitutiva* and Switzerland's *forfait fiscal*, neither of which is characterised as an income tax in the technical sense under their respective domestic laws. The consequence is that Global Track participants generally cannot claim a foreign tax credit in their country of prior residence for the NZ Annual Contribution paid. For the majority of Global Track participants, this is irrelevant — they have no continuing home-country tax obligation on offshore income against which a credit would be needed.

A.6.3 Privacy Feature — Scope and Limits

The privacy feature of the Global Track operates at the level of NZ domestic tax law. This section describes both the scope of that privacy and its limits.

What the privacy feature covers:

- The identity, location, and value of offshore assets held as Qualifying Offshore Capital
- The quantum of income derived from those assets in any Contribution Year
- The identity of offshore counterparties, banks, custodians, or investment managers
- The structure of any offshore holding vehicle through which QOC is held, to the extent that disclosure would otherwise be required only for the purpose of calculating NZ income tax on Qualifying Offshore Income

What the privacy feature does not cover:

- **CRS and FATCA reporting obligations.** Global Track participants remain subject to the Common Reporting Standard and FATCA in the jurisdictions where their accounts are held. TRE cannot modify or waive these obligations.
- **NZ domestic income.** NZ-sourced income remains fully disclosable and taxable under standard rules.
- **AML/CFT obligations.** The source-of-funds and source-of-wealth verification required under section A.3.7 is a one-time condition of election and is not affected by the ongoing privacy feature.
- **NZ-Origin Capital income.** Any offshore income attributable to NZ-Origin Capital rather than Qualifying Offshore Capital is taxable under standard NZ rules and must be disclosed accordingly.

Legislative drafting should clearly delineate the scope of the privacy carve-out. The recommended approach is a positive obligation framing: Global Track participants are positively exempted from the disclosure obligations that would otherwise apply to offshore income under the standard NZ return framework, subject to the carve-outs listed above.

A.6.4 Interaction with NZ CRS Obligations

New Zealand is a signatory to the OECD Common Reporting Standard and implements CRS through the Tax Administration Act 1994. TRE participants who are NZ tax residents are not the subject of NZ CRS reporting — they are NZ residents, not foreign account holders. Inland Revenue should confirm at the design phase whether any CRS interaction issues arise specifically from the Global Track's no-disclosure architecture that could be interpreted by a partner jurisdiction's competent authority as inconsistent with the spirit of the Standard.

A.6.5 Filing Obligations for Global Track Participants

Obligation	Description	Due Date
Standard NZ income tax return	NZ-sourced income only; Qualifying Offshore Income excluded from disclosure	Standard filing date
TRE Annual Contribution declaration	Declaration of election status, applicable Track, Total TRE Obligation, QGI reduction (if any), WMAC Credits applied (if any), and net Annual Contribution payable	Standard filing date
Payment of Annual Contribution	Payment of net Annual Contribution to Inland Revenue	Terminal tax date
Presence day record	Annual certification of cumulative presence days against the Rising Cumulative Minimum days of presence	Standard filing date
Dependent status update	Notice of any change to Eligible Dependent status during the Contribution Year	Within 30 days of change

A.6.6 Minimum Payment and Below-Floor Years

The Annual Contribution under the Global Track is a fixed obligation. There is no provision for reduction of the Annual Contribution below the Total TRE Obligation (as reduced by applicable QGI reductions and WMAC Credits) on the basis that offshore income in a particular year was low, nil, or negative. A participant who suffers a loss year on their offshore portfolio in a Contribution Year remains liable for the full net Annual Contribution for that year.

The one exception is where QGI reductions and accumulated WMAC Credits together reduce the net Annual Contribution to zero. In that case, no payment is due for the relevant Contribution Year, and the participation remains in force. A nil-payment year does not affect the Rising Cumulative Minimum days of presence obligation, the grandfathered rate, or any other term of the election.

A.7 — Election Mechanics

A.7.1 Overview

Election into TRE is a formal, irrevocable act with binding consequences for the full 16-year Elective Period. The election process has five components: the election window; the election notice; Inland Revenue's acceptance and verification process; the issue of the Election Certificate; and the legal consequences of a valid election. Each is addressed in turn.

A.7.2 The Election Window

A person may elect into TRE at any time during their Transitional Period — that is, during the first four income years of their current period of New Zealand tax residency. The election window opens on the first day of the first income year of NZ tax residency and closes on the last day of the fourth income year. An election notice received by Inland Revenue after the close of the election window is of no effect and confers no TRE rights on the lodging person.

The election window is a hard boundary. There is no provision for late election, no discretion for Inland Revenue to accept an out-of-time election, and no ability to extend the window by Ministerial or administrative action short of legislative amendment.

Prospective participants and their advisers should be aware that the election window may effectively be shorter than four years in practice. Where the applicable Qualifying Investment threshold is greater than nil, the qualifying investment must be made and verifiably in place before the election notice is lodged. Advisers acting for clients in the later stages of their Transitional Period should treat the effective election deadline as materially earlier than the formal four-year boundary.

A.7.2A Transitional Grace Period at Programme Launch

At programme launch, any person who qualified for transitional tax residency at any time in the prior ten years has the right to elect into TRE during a two-year grace period, regardless of whether their Transitional Period has expired. This provision ensures that individuals who were penalised by the current post-transitional settings—and who may have departed New Zealand precisely because of those settings—are not excluded from the programme that remedies the deficiency.

The grace period opens on the date TRE comes into force and closes two years thereafter. A person electing under this provision must re-establish New Zealand tax residency (if they have departed) and satisfy the applicable Qualifying Investment threshold before lodging their election notice. The Election Date, and all grandfathered parameters, are determined as at the date of election—not the date on which the person originally commenced transitional tax residency.

After the two-year grace period closes, standard election rules apply: a person must elect into TRE during their Transitional Period, and a person who allows their Transitional Period to expire without electing permanently loses the right to do so.

A.7.3 The Election Notice

An election is made by lodging a prescribed election notice with Inland Revenue. The notice must be in the form prescribed by the Commissioner of Inland Revenue and must contain at minimum:

Required Element	Detail
Participant identification	Full legal name, date of birth, NZ IRD number, passport number and issuing country

Required Element	Detail
NZ tax residency commencement date	The date on which the person first became a NZ tax resident in their current period of residency, and the basis of that determination (183-day rule or PPOA)
Transitional tax resident confirmation	Declaration that the person qualifies as a transitional tax resident under section HC 1 of the Income Tax Act 2007 at the date of the notice
Track selection	Election of either the US Track (Schedule 1) or the Global Track (Schedule 2)
Eligible Dependent schedule	Full legal name, date of birth, and NZ IRD number (if held) for each Eligible Dependent to be included on the Election Certificate
Qualifying Investment declaration	Declaration that the applicable Qualifying Investment threshold has been satisfied, with supporting evidence as prescribed (nil declaration acceptable at launch)
Source-of-wealth declaration	Declaration and supporting documentation as required under section A.3.7
Authorised representative	Name and contact details of the participant's NZ tax adviser or authorised representative, if applicable

The election notice must be signed by the participant personally. Inland Revenue may prescribe an electronic lodgement process, provided that the electronic process includes adequate identity verification.

A.7.4 Inland Revenue's Acceptance Process

Upon receipt of a completed election notice, Inland Revenue must: (a) verify that the person is a NZ tax resident as at the date of the notice; (b) verify that the person is a transitional tax resident and that the Transitional Period has not yet expired; (c) confirm that the prior non-residence requirement is satisfied; (d) confirm that the Qualifying Investment evidence provided is consistent with the applicable threshold; and (e) complete or confirm the source-of-funds and source-of-wealth verification.

Inland Revenue should prescribe a target processing timeframe for election notices — a period of 20 working days from receipt of a complete notice is recommended as the standard, with a further period of up to 40 working days where additional SOF/SOW verification is required.

Where Inland Revenue proposes to decline an election notice — because one or more eligibility conditions are not satisfied — it must notify the participant in writing, stating the grounds for the proposed decline and providing a reasonable opportunity to respond or to provide additional information. A final decision to decline is subject to the standard disputes and challenge provisions of the Tax Administration Act 1994.

The timeliness of Inland Revenue's processing does not affect the validity of a properly lodged election. A Participating Individual who lodges a complete and valid election notice before the end of their Transitional Period has satisfied the election window requirement, regardless of how long Inland Revenue subsequently takes to process and accept the notice. If Inland Revenue's processing extends beyond the end of the Transitional Period, that delay is not a ground for declining the election. This protection applies only where the election notice is complete and valid at the time of lodgement. If Inland Revenue declines an election on substantive grounds — that is, because one or more eligibility conditions were not met at the time of lodgement — the decline stands regardless of when in the processing cycle it occurs.

A.7.5 The Election Date and Its Consequences

The Election Date is the date on which a complete and valid election notice is lodged with Inland Revenue by the Participating Individual. It is not the date of Inland Revenue's acceptance or processing of that notice. The Election Date is the single most consequential date in a Participating Individual's TRE participation, because it determines:

- The Grandfathered Rate (Principal Contribution and Dependent Contribution) applicable for the full 16-year Elective Period
- The Grandfathered Zero-Fee Level for QGI reduction purposes
- The Qualifying Investment threshold applicable to the participant
- The commencement of the Elective Period (being the first income year after the end of the Transitional Period, not the Election Date itself)
- The scheduled end date of the Elective Period (being the last day of the 16th Contribution Year)

The Election Date does not alter the commencement or end date of the Transitional Period itself. A participant who elects in year 2 of their Transitional Period does not thereby shorten or extend the Transitional Period — it continues to run until the end of year 4 regardless.

A.7.6 Irrevocability and the Voluntary Withdrawal Distinction

An election into TRE, once lodged with Inland Revenue, is irrevocable in the sense that the participant cannot retroactively unwind it or disclaim its consequences for periods already elapsed. A participant who has been in the Elective Period for three years and wishes to exit the regime prospectively may do so by voluntary withdrawal; they cannot, however, undo the elections already made or recalculate their obligations for prior Contribution Years on the basis that they now prefer a different arrangement. However, irrevocability does not mean the participant is permanently locked into the regime regardless of circumstances. Three exit pathways exist:

(a) Voluntary withdrawal. A Participating Individual may withdraw from TRE by giving 90 days' written notice to Inland Revenue. The Annual Contribution obligation ceases at the withdrawal date. No exit charge or penalty applies. Full mechanics are in section A.10.

(b) Lapse. A Participating Individual whose cumulative days of presence in New Zealand fall below the Rising Cumulative Minimum days of presence at the end of any Contribution Year suffers automatic lapse. Full mechanics are in section A.9.

(c) Natural expiry. At the end of the 16th Contribution Year, the Elective Period expires and standard NZ rules apply to all income from that point.

The distinction between irrevocability and these exit pathways should be clearly stated in any official guidance.

A.7.7 Election Certificate

Upon acceptance of a valid election, Inland Revenue issues an Election Certificate to the Participating Individual. The Election Certificate is the binding documentary record of the election and its terms. Its prescribed content is set out in section A.16. The Election Certificate should be treated by the participant and their advisers as equivalent in standing to a binding ruling for the purposes of the participant's tax planning for the Elective Period.

A.8 — Residency Requirement: Rising Cumulative Minimum

A.8.1 Policy Rationale

The residency requirement for TRE serves two distinct policy purposes. The first is substantive: TRE is a regime for genuine New Zealand tax residents, not a paper-address arrangement. The second is structural:

the residency requirement must be set at a level that does not disqualify the target participant profile. High-net-worth individuals and family offices are inherently mobile. A requirement of 183 days per year — the standard threshold used by most jurisdictions — would make TRE materially less competitive than Italy, Switzerland, and other comparator regimes. TRE is designed to be more permissive than its comparators on the presence dimension, compensating on the safety and certainty dimensions.

The solution is the Rising Cumulative Minimum: an annual presence floor set at 90 days per year, applied cumulatively over the 16-year Elective Period rather than as an annual binary pass/fail test. This achieves genuine residency commitment over the programme term while accommodating the mobility patterns of the target cohort in any individual year.

A.8.2 The Rising Cumulative Minimum — Definition and Schedule

The Rising Cumulative Minimum days of presence for each Contribution Year is 90 days multiplied by the number of completed Contribution Years in the Elective Period. A Participating Individual's actual Cumulative Presence Days — the total number of days of physical presence in New Zealand from the commencement of the Elective Period to the end of the relevant Contribution Year — must equal or exceed the Rising Cumulative Minimum days of presence at the end of each Contribution Year.

Contribution Year	Rising Cumulative Minimum (days)	Implied Annual Average to Date (days/yr)
Year 1	90	90
Year 2	180	90
Year 3	270	90
Year 4	360	90
Year 5	450	90
Year 6	540	90
Year 7	630	90
Year 8	720	90
Year 9	810	90
Year 10	900	90
Year 11	990	90
Year 12	1,080	90
Year 13	1,170	90
Year 14	1,260	90
Year 15	1,350	90
Year 16	1,440	90

The Rising Cumulative Minimum days of presence is a floor, not a target. Participants who spend more than 90 days per year in New Zealand accumulate surplus days that carry forward and can offset periods of lower presence in future years. There is no ceiling on day accumulation and no year in which surplus days expire.

A.8.3 Surplus Day Carry-Forward

Surplus Presence Days are the amount by which a Participating Individual's actual Cumulative Presence Days exceed the Rising Cumulative Minimum days of presence at the end of any Contribution Year. Surplus Presence Days carry forward automatically and indefinitely. They are not lost at the end of a Contribution Year, do not require any administrative election to preserve, and do not expire at any point during the Elective Period.

The following extended scenario illustrates the surplus carry-forward mechanics for a participant who spends 300 days per year in New Zealand in years 1, 2, and 7, and zero days in years 3, 4, 5, and 6:

Year	Days Present (This Year)	Cumulative Days Present	Rising Cumulative Minimum	Surplus / (Deficit)	Lapse?
1	300	300	90	+210	No
2	300	600	180	+420	No
3	0	600	270	+330	No
4	0	600	360	+240	No
5	0	600	450	+150	No
6	0	600	540	+60	No
7	300	900	630	+270	No

In this scenario, four consecutive years of complete absence are absorbed by the surplus accumulated in years 1 and 2, and the participant remains compliant throughout.

A.8.4 Lapse Trigger

Lapse is triggered automatically if, at the end of any Contribution Year, a Participating Individual's Cumulative Presence Days are less than the Rising Cumulative Minimum days of presence for that year. The lapse operates by reference to year-end position only — intra-year deficits do not trigger lapse. There is no discretion for Inland Revenue to waive a lapse once triggered.

The following scenario illustrates a lapse event, extending the absence in the prior scenario to a fifth consecutive zero-day year:

Year	Days Present (This Year)	Cumulative Days Present	Rising Cumulative Minimum	Surplus / (Deficit)	Lapse?
1	300	300	90	+210	No
2	300	600	180	+420	No
3	0	600	270	+330	No
4	0	600	360	+240	No
5	0	600	450	+150	No
6	0	600	540	+60	No
7	0	600	630	(30)	YES

Lapse occurs at the end of year 7 because Cumulative Presence Days (600) fall below the Rising Cumulative Minimum days of presence (630) for the first time. The Lapse Date is the last day of Contribution Year 7.

A.8.5 Counting Rules — What Constitutes a Day of Presence

A day of presence in New Zealand is any calendar day on which the Participating Individual is physically present in New Zealand at any time during that day. Arrival days and departure days each count as days of presence. Days spent in New Zealand's territorial waters or airspace in transit, without clearing customs, do not count. Days of presence during the Transitional Period do not count toward the Elective Period Rising Cumulative Minimum days of presence — the cumulative count begins on the first day of Contribution Year 1.

Inland Revenue should prescribe the evidentiary standard for demonstrating days of presence. The recommended approach is a self-certification model supported by passport entry and exit records where Inland Revenue requests verification.

A.8.6 Interaction with NZ Tax Residency Determination

The Rising Cumulative Minimum days of presence is a TRE-specific compliance requirement. It is distinct from, and does not modify, the rules for determining whether a person is a NZ tax resident under section YD 1 of the Income Tax Act 2007. A participant who is spending an average of 90 days per year in New Zealand over the Elective Period is likely, but not certain, to be a NZ tax resident under the existing 183-day or PPOA rules. The interaction between low-presence years and NZ tax residency status should be addressed in the legislative drafting and in official guidance.

A.8.7 No Annual Binary Test

For the avoidance of doubt: there is no annual binary pass/fail test under the TRE residency requirement. A participant is not required to spend 90 days in New Zealand in every year. A participant who spends 30 days in New Zealand in a given year does not thereby fail a test or trigger any consequence — the only question is whether their Cumulative Presence Days at the end of that year remain above the Rising Cumulative Minimum days of presence for that year. The annual 90-day figure is the long-run average implicit in the cumulative structure, not a per-year requirement.

This design choice is deliberate and should be communicated prominently in official guidance and programme materials. The most common objection to flat-tax regimes among prospective HNWI participants is the perceived inflexibility of annual presence requirements. TRE's cumulative architecture directly addresses this objection while achieving the same long-run presence outcome.

A.9 — Lapse Conditions and Post-Lapse Treatment

A.9.1 Overview

Lapse is the involuntary termination of a Participating Individual's TRE election, triggered automatically by failure to maintain the Rising Cumulative Minimum days of presence. It is distinct from voluntary withdrawal (section A.10), which is an elected exit, and from natural expiry at the end of the 16-year Elective Period. Lapse carries the same prospective tax consequences as voluntary withdrawal — standard NZ rules apply to foreign income from the Lapse Date — but differs in that it is not initiated by the participant and may have retrospective implications for the Contribution Year in which it occurs.

A.9.2 The Lapse Trigger

Lapse is triggered automatically on the last day of the first Contribution Year at the end of which a Participating Individual's Cumulative Presence Days are less than the Rising Cumulative Minimum days of presence for that year. The trigger is a single condition with no exceptions, no discretionary override by Inland Revenue, and no curative period after year-end. The mechanics are set out in full in section A.8.4.

Three features of the lapse trigger warrant explicit restatement here for legislative drafting purposes:

(a) Year-end measurement only. The deficit is measured once per year, at the last day of the Contribution Year. A participant who is below the cumulative minimum at any point during the year but recovers to or above the minimum by year-end does not trigger lapse. Intra-year monitoring by Inland Revenue is not required.

(b) Automatic operation. Lapse does not require any act by Inland Revenue. It operates by force of law upon the occurrence of the triggering condition. Inland Revenue's role is to record the Lapse Date and issue the post-lapse notification described in A.9.5.

(c) No force majeure or hardship discretion. The legislation should not provide for Inland Revenue to waive a lapse on hardship, medical, or force majeure grounds. The cumulative surplus carry-forward architecture provides ample buffer for all but the most extreme circumstances. Introducing a discretionary waiver would create administrable uncertainty and an incentive for participants to seek waivers rather than manage their presence proactively.

A.9.3 The Lapse Date

The Lapse Date is the last day of the Contribution Year in which the lapse trigger is met. The precision of the Lapse Date matters because: it determines the boundary between the period for which the Annual Contribution applies and the period for which standard NZ rules apply to foreign income; and where a participant has paid the Annual Contribution for the Contribution Year in which lapse occurs, the treatment of that payment must be determined by reference to the Lapse Date.

A.9.4 Annual Contribution Treatment in the Lapse Year

A Participating Individual who lapses at the end of a Contribution Year has been subject to TRE for the full duration of that year. Accordingly, the Annual Contribution for the lapse year is payable in full. There is no pro-rata reduction, no refund of contributions already paid, and no adjustment to reflect the fact that the election will not continue beyond the Lapse Date.

From the first day of the income year immediately following the Lapse Date, the participant's foreign income is taxable under standard NZ rules. Any WMAC Credits not yet applied as at the Lapse Date are forfeited — they cannot be applied against future TRE obligations (because there are none) and they cannot be applied against any other NZ tax obligation.

A.9.5 Post-Lapse Notification and Administration

Upon becoming aware that a lapse has occurred, Inland Revenue should issue a formal post-lapse notification to the affected participant. The notification should record:

Notification Element	Content
Confirmation of lapse	Statement that the TRE election has lapsed by operation of law
Lapse Date	The last day of the relevant Contribution Year
Completed Contribution Years	The number of Contribution Years completed before lapse
Annual Contribution status	Confirmation that the Annual Contribution for the lapse year is payable in full (if not already paid)

Notification Element	Content
Post-lapse tax obligations	Statement that foreign income from the day after the Lapse Date is taxable under standard NZ rules
WMAC Credit forfeiture	Statement of the amount of any WMAC Credits forfeited as at the Lapse Date
Standard return obligations	Reminder that standard NZ income tax return obligations apply from the income year following the Lapse Date

The post-lapse notification is administrative in character — it records a legal consequence that has already occurred by operation of law. It is not a decision and is not subject to the disputes and challenge provisions of the Tax Administration Act 1994. However, a participant who disputes the factual basis for the lapse — that is, who contends that their Cumulative Presence Days did not in fact fall below the Rising Cumulative Minimum days of presence — may challenge through the standard disputes process by reference to their presence records.

A.9.6 Post-Lapse NZ Tax Position

From the income year immediately following the Lapse Date, the former Participating Individual is subject to NZ income tax on all income — including foreign income — under standard NZ rules, provided they remain a NZ tax resident. The TRE election is spent; there is no mechanism by which it can be revived, extended, or re-elected.

Two points warrant specific attention:

(a) NZ tax residency continuation. Lapse of the TRE election does not, in itself, affect the former participant's NZ tax residency status. Standard tax residency cessation rules apply if they depart New Zealand.

(b) No re-election. A person whose TRE election has lapsed may not re-elect. The election window — which is coextensive with the Transitional Period — has long since closed by the time any lapse can occur. No legislative provision prohibiting re-election is required; the architecture prevents it structurally.

A.9.7 Distinction from Voluntary Withdrawal

Feature	Lapse	Voluntary Withdrawal
Trigger	Automatic — cumulative presence deficit at year-end	Elected — 90 days' written notice to Inland Revenue
Participant initiative	None — occurs by operation of law	Required — participant must give notice
Lapse / withdrawal date	Last day of the Contribution Year in which deficit occurs	Date specified in withdrawal notice (minimum 90 days after notice)
Annual Contribution — final year	Payable in full for the lapse year	Pro-rata to withdrawal date (see section A.10)
WMAC Credits — unused balance	Forfeited at Lapse Date	Forfeited at withdrawal date
Post-event tax treatment	Standard NZ rules from income year after Lapse Date	Standard NZ rules from withdrawal date

Feature	Lapse	Voluntary Withdrawal
Re-election	Not possible	Not possible
Notice required	No — automatic	Yes — 90 days' written notice

A.10 — Voluntary Withdrawal

A.10.1 Overview

Voluntary withdrawal is the elected exit pathway by which a Participating Individual may terminate their TRE participation prospectively, before the natural expiry of the 16-year Elective Period. It requires 90 days' written notice to Inland Revenue. No substantive grounds are required — withdrawal is available at the election of the participant at any time during the Elective Period, for any reason. No exit charge, penalty, or clawback applies. The Annual Contribution obligation ceases at the withdrawal date, and foreign income is taxable under standard NZ rules from that date.

The voluntary withdrawal provision is a deliberate design feature. A regime that offered no exit pathway would be commercially unattractive to sophisticated participants and their advisers. The 90-day notice period balances the participant's need for flexibility against Inland Revenue's administrative need for certainty about contribution obligations in the current year.

A.10.2 Notice Requirements

A Participating Individual wishing to withdraw from TRE must give written notice to Inland Revenue in the prescribed form. The notice must contain at minimum:

Required Element	Detail
Participant identification	Full legal name, NZ IRD number, and Election Certificate reference number
Intended withdrawal date	The date on which the participant wishes the withdrawal to take effect, being a date not less than 90 days after the date of the notice
Confirmation of withdrawal intent	Declaration that the participant intends to withdraw from TRE and understands the tax consequences of withdrawal
WMAC Credit balance acknowledgement	Acknowledgement of the amount of any accumulated WMAC Credits that will be forfeited upon withdrawal

The notice must be signed by the participant personally. Inland Revenue must acknowledge receipt within 10 working days and confirm the withdrawal date. The withdrawal takes effect on the date specified in the notice, provided that date is not less than 90 days after receipt. If the date specified is less than 90 days after receipt, the withdrawal takes effect on the 90th day after receipt.

A.10.3 The Withdrawal Date and Its Consequences

The withdrawal date is the date on which the TRE election ceases to have effect. From the withdrawal date, the Participating Individual's foreign income is taxable under standard NZ rules. The withdrawal date may fall at any point in a Contribution Year — it is not constrained to year-end boundaries, unlike the Lapse Date. The withdrawal date determines: the cessation of the Annual Contribution obligation; the point from which standard NZ income tax rules apply to Qualifying Offshore Income; the forfeiture of any unused WMAC Credits; and the end of the grandfathering protection.

A.10.4 Annual Contribution Treatment in the Withdrawal Year

Because the withdrawal date may fall at any point during a Contribution Year, the Annual Contribution in the withdrawal year is calculated on a pro-rata basis: the Annual Contribution for the withdrawal year equals the full-year Total TRE Obligation multiplied by the fraction of the Contribution Year that elapsed before the withdrawal date, reduced by any QGI reduction and WMAC Credits applied up to that date.

Withdrawal Point in Year	Fraction of Year Elapsed	Pro-Rata Annual Contribution (NZD, single participant at launch)
End of Q1 (91 days / 365)	24.9%	149,589
End of Q2 (182 days / 365)	49.9%	298,904
End of Q3 (273 days / 365)	74.8%	448,767
Year-end (365 days / 365)	100%	600,000

Where the participant has already paid provisional tax instalments toward the Annual Contribution for the withdrawal year, any overpayment relative to the pro-rata amount is refundable under the standard overpayment provisions of the Tax Administration Act 1994.

A.10.5 WMAC Credits — Treatment on Withdrawal

Any WMAC Credits accumulated by a Participating Individual that have not been applied against Annual Contribution obligations as at the withdrawal date are forfeited upon withdrawal. Credits cannot be applied against post-withdrawal NZ tax obligations, transferred to another person, monetised, or otherwise preserved beyond the withdrawal date. Participants holding accumulated WMAC Credits who are considering voluntary withdrawal should be advised to apply available credits against Annual Contribution obligations in the Contribution Years immediately preceding the intended withdrawal notice, to the extent possible, before the credits are forfeited.

A.10.6 Post-Withdrawal NZ Tax Position

From the withdrawal date, the former Participating Individual is subject to NZ income tax on all income — including foreign income — under standard NZ rules, provided they remain a NZ tax resident. Two points are specific to voluntary withdrawal:

(a) Mid-year commencement of standard rules. Because the withdrawal date may fall mid-year, the former participant faces a split income year. The recommended approach is to apply standard rules from the first day of the income year following the withdrawal date, treating the withdrawal year as a final TRE year on a pro-rata basis as described in A.10.4.

(b) Departure from New Zealand. Where a participant withdraws in connection with departure from New Zealand and cessation of NZ tax residency, the withdrawal mechanics interact with the standard tax residency cessation rules and any applicable exit provisions under the RAM bill. The 90-day notice period means that a participant who intends to depart should give withdrawal notice at least 90 days before their intended departure date.

A.10.7 No Re-Election Following Withdrawal

A person who has voluntarily withdrawn from TRE may not re-elect. As with lapse, the election window is coextensive with the Transitional Period; by the time withdrawal is possible, the election window has permanently closed. This outcome should be clearly communicated in official guidance, since the finality of the withdrawal decision is a material consideration for any participant contemplating exit.

A.11 — Grandfathering Mechanics

A.11.1 Policy Rationale

Grandfathering is the single most commercially important feature of TRE. It converts a policy announcement into a binding contract. Without it, no sophisticated high-net-worth participant or their adviser will treat a 16-year residency commitment as a rational decision — the risk that a future government reprices, restructures, or abolishes the regime would be priced into the decision as a material downside, and the regime would fail to attract the permanent commitment it is designed to produce.

The grandfathering model is not novel. Italy's *imposta sostitutiva* has been repriced three times — EUR 100,000 at launch in 2017, EUR 200,000 from August 2024, EUR 300,000 from January 2026 — with full grandfathering at each step. Participant numbers grew at every repricing. The Italian experience demonstrates the commercial logic precisely: grandfathering removes the price-change risk from the existing participant's decision matrix entirely, while repricing creates urgency among prospective entrants to elect before the next increase.

The legislative standard for overriding grandfathering — an explicit Act of Parliament — is set intentionally high. No administrative action, Ministerial direction, or regulatory amendment can alter a Participating Individual's grandfathered parameters. Only Parliament can do so, and only by explicit enactment. This standard should be stated on the face of the principal TRE enactment.

A.11.2 What Is Grandfathered

The following parameters are grandfathered at the Election Date and fixed for the full 16-year Elective Period:

Grandfathered Parameter	Basis of Determination	Fixed From
Principal Contribution rate	Rate in effect at Election Date	Election Date
Dependent Contribution rate (per dependent)	Rate in effect at Election Date	Election Date
Applicable Zero-Fee Level for QGI purposes	Level in effect at Election Date	Election Date
Qualifying Investment threshold	Threshold in effect at Election Date	Election Date
Elective Period duration	16 income years from commencement of Elective Period	Election Date
Track selection (subject to Track change provision)	Track elected at Election Date	Election Date — subject to A.2.2

A.11.3 What Is Not Grandfathered

Grandfathering does not extend to every aspect of the participant's TRE position. The following are expressly not grandfathered and remain subject to change during the Elective Period:

(a) Eligible Dependent composition. The identity and number of Eligible Dependents may change during the Elective Period. The per-dependent Dependent Contribution rate is grandfathered; the number of dependents to which it applies is not.

(b) Track selection. A Participating Individual may change Track by written notice to Inland Revenue under section A.2.2, without affecting any grandfathered rate.

(c) Qualifying Growth Investment held. The QGI reduction applicable in any Contribution Year is calculated against the grandfathered Total TRE Obligation and Applicable Zero-Fee Level, but the quantum of qualifying investment actually held by the participant at any point is a current-year determination. If a participant disposes of qualifying investments, the QGI reduction decreases accordingly.

(d) WMAC Credits accumulated. WMAC Credits are earned and applied prospectively. The grandfathered rate determines the value of each credit, but the balance of credits held at any point is a current-position figure.

(e) NZ tax rules on NZ-sourced income. TRE grandfathering applies only to the Annual Contribution on Qualifying Offshore Income. It provides no protection against changes to NZ income tax rates, thresholds, or rules applicable to NZ-sourced income.

(f) Administrative requirements. Inland Revenue may update prescribed forms, filing procedures, and administrative requirements during the Elective Period without constituting a breach of the grandfathering protection.

A.11.4 Legislative Entrenchment

The grandfathering protection must be stated on the face of the principal TRE enactment in the following or substantially equivalent terms:

> *"The contribution rate, dependent rate, applicable zero-fee level, qualifying investment threshold, and elective period duration recorded on a Participating Individual's Election Certificate may not be increased, reduced, or otherwise varied by any means other than an Act of Parliament that expressly amends or overrides the grandfathering protection provided by this section in respect of that individual."*

The entrenchment does not constitute a fetter on Parliamentary sovereignty — Parliament retains the ability to amend or repeal TRE by explicit legislation at any time. What the provision does is raise the political cost of retroactive amendment by making it visible and explicit. A government that wished to reprice existing participants would need to pass legislation that expressly states it is overriding the grandfathering protection given to those participants.

A.11.5 Interaction with Repricing Events

Repricing Events affect only new entrants. At each Repricing Event, the Principal Contribution rate and Dependent Contribution rate applicable to new elections increase to the repriced level. The Applicable Zero-Fee Level and Qualifying Investment threshold also increase. For all elections made before the Repricing Event date, none of these parameters change.

Cohort	Election Date	Principal Contribution Rate	Applicable Zero-Fee Level	Qualifying Investment Threshold
Cohort 1 — Launch	Before first Repricing Event	NZD 600,000	NZD 25,000,000	Nil
Cohort 2 — Post first repricing	After first Repricing Event, before second	Repriced rate (indicative: NZD 750,000–900,000)	NZD 50,000,000	NZD 5,000,000

Cohort	Election Date	Principal Contribution Rate	Applicable Zero-Fee Level	Qualifying Investment Threshold
Cohort 3 — Mature programme	After second Repricing Event	Repriced rate (indicative: NZD 1,000,000+)	NZD 100,000,000	NZD 10,000,000

Each cohort is governed permanently by its Election Date parameters. A Cohort 1 participant who is still in their Elective Period when the second Repricing Event occurs continues to pay NZD 600,000 per year with an Applicable Zero-Fee Level of NZD 25,000,000 and no Qualifying Investment threshold, regardless of the rates applicable to new entrants at that time. This is not a subsidy — it is the contractual basis on which that participant made their relocation decision.

A.11.6 Grandfathering and the WMAC Credit Value

WMAC Credits are calculated as 50% of the recruited participant's first-year Total TRE Obligation. The recruited participant's Total TRE Obligation is itself determined by their Election Date rates — their grandfathered rates. Accordingly, the value of a WMAC Credit varies depending on when the recruited participant elects: an Ambassador who recruits a Cohort 1 single participant earns a credit of NZD 300,000; the same Ambassador who subsequently recruits a Cohort 2 single participant at a repriced rate of NZD 800,000 earns a credit of NZD 400,000. This escalation is a feature — it creates an additional incentive for Ambassadors to recruit later-cohort participants who are paying higher rates. The Crown arithmetic remains intact at every repricing.

A.11.7 Grandfathering Upon Death of Participating Individual

The TRE election is a personal election and does not pass to the estate or heirs of a deceased Participating Individual. Upon the death of a Participating Individual during the Elective Period, the election lapses with effect from the date of death. The Annual Contribution for the year of death is payable on a pro-rata basis calculated to the date of death, consistent with the methodology in section A.10.4. Any unused WMAC Credits are forfeited and do not form part of the estate.

Eligible Dependents included on the deceased participant's Election Certificate do not thereby acquire independent TRE participation rights. If a surviving spouse or partner wishes to participate in TRE in their own right, they must satisfy the eligibility conditions in section A.3 independently and make their own election — which requires them to still be within their own Transitional Period. This outcome should be noted in official guidance as a planning consideration for families considering TRE participation.

A.12 — Qualifying Investment Requirement

A.12.1 Overview and Phase-In Design

The Qualifying Investment requirement is a condition of TRE election — a minimum deployment of capital into prescribed New Zealand productive assets that must be satisfied before a transitional tax resident may lodge a valid election notice. It is not a condition of ongoing participation once elected; a Participating Individual who satisfies the Qualifying Investment threshold at the time of election is not required to maintain that investment level throughout the Elective Period as a condition of continued participation. The ongoing investment incentive is a separate provision addressed in section A.14.

The Qualifying Investment requirement is introduced in phases, linked to Repricing Events, and escalated alongside the Annual Contribution rate. At launch, no qualifying investment is required. This launch-phase design mirrors Italy's *imposta sostitutiva*, which imposed no investment requirement at inception and built its participant base before introducing structural complexity.

Programme Stage	Qualifying Investment Threshold	Notes
Launch (before first Repricing Event)	Nil	No investment condition; all eligible electors may elect freely
After first Repricing Event	NZD 5,000,000	Must be invested in prescribed qualifying categories before election notice is lodged
After second Repricing Event	NZD 10,000,000	Must be invested in prescribed qualifying categories before election notice is lodged

The Qualifying Investment threshold applicable to a Participating Individual is the threshold in effect on their Election Date and is grandfathered at that level for the full Elective Period.

A.12.2 Relationship to AIP Investment

The Qualifying Investment requirement is expressly above and beyond any investment made in connection with an Active Investor Plus visa. AIP participation requires a minimum investment of NZD 5,000,000 over three years in approved growth categories. That investment does not count toward, and cannot be applied against, the TRE Qualifying Investment threshold. The two requirements are parallel obligations, not cumulative ones.

The AIP investment is a condition of the immigration visa. The TRE Qualifying Investment is a condition of the tax election. They serve different policy purposes and are administered under different legislative frameworks. The separation ensures that the TRE Qualifying Investment represents genuine incremental capital deployment into the New Zealand economy, above and beyond the immigration threshold. For non-AIP participants, the Qualifying Investment threshold applies in full against their total NZ investment position without any deduction.

A.12.3 Qualifying Investment Categories

The Qualifying Investment must be made in one or more of the following prescribed categories.

Category 1 — AIP-Approved Growth Funds

Investment in growth funds that have been approved under the Active Investor Plus programme by Immigration New Zealand. This category encompasses the full range of managed fund vehicles approved under the AIP framework, including venture capital funds, private equity funds, growth-focused managed funds, and other pooled investment vehicles that have satisfied the AIP approval criteria. Venture capital and private equity are not listed separately — they are subsumed within the AIP-approved growth fund category and should not be identified as distinct qualifying categories in any official description of the regime.

The administrative advantage of this category is that the qualifying status of the fund has already been assessed by Immigration New Zealand through the AIP approval process. Inland Revenue may rely on the AIP approval as confirmation of qualifying status, subject to confirmation that the approval was current at the time of investment. Inland Revenue should establish a data-sharing arrangement with Immigration New Zealand to facilitate this reliance.

Category 2 — Direct Equity in Operating New Zealand Businesses

Direct equity investment in businesses that operate in New Zealand, employ New Zealand workers, and derive a material proportion of their revenue from NZ operations. This category captures investment in unlisted NZ companies, NZ-based operating businesses, and similar structures where the participant is investing directly into the productive NZ economy rather than through a managed fund vehicle.

The legislative definition of this category should require that the investee business: (a) is incorporated or registered in New Zealand; (b) has its principal place of business in New Zealand; (c) employs not fewer than a prescribed minimum number of full-time equivalent employees in New Zealand; and (d) derives not less than a prescribed proportion of its gross revenue from NZ-based operations. Inland Revenue should consult with MBIE on appropriate thresholds.

Investment in NZX-listed companies does not qualify under this category. Listed equity investment is indistinguishable from portfolio investment for policy purposes. The same exclusion applies to NZ government bonds and other NZ fixed-income instruments.

Category 3 — Residential Real Property for Personal Use

Residential real property located in New Zealand, held for the personal use of the Participating Individual and their Eligible Dependents, with a current market value of not less than NZD 5,000,000, is a prescribed qualifying investment category by deliberate design. Its inclusion reflects a specific policy objective: to ensure that the Qualifying Investment requirement, when first introduced at the first Repricing Event, is accessible to participants who have already made a genuine residential commitment to New Zealand — including those who purchased a family home during their Transitional Period — without requiring them to make an additional productive economy investment before they can elect into TRE.

This category makes a real contribution to the New Zealand economy. High-value residential construction creates substantial employment in the building and construction trades and does not exert price pressure in the market segments in which median-wage New Zealanders compete for housing. A TRE participant who purchases or constructs a home valued above NZD 5,000,000 is operating in a price tier with no material overlap with first-home-buyer or median-income housing stock.

The Category 3 settings at first introduction — any residential property above NZD 5,000,000 in value, whether existing or newly constructed, qualifying without restriction — are calibrated as the most accessible end of a spectrum that the government retains flexibility to adjust over time. After reviewing uptake statistics, the government may elect to introduce a new-construction requirement, limiting the category to newly built properties in order to ensure that qualifying real estate investment translates directly into construction employment rather than transfers of existing stock. A further option is to increase the minimum value threshold — from NZD 5,000,000 to NZD 10,000,000 — without introducing a construction requirement, which would accommodate the scenario of a participant holding two or more New Zealand properties each valued above NZD 5,000,000. Each of these adjustments represents a modest increase in the productive benefit required of participants in exchange for real estate qualifying, and each can be calibrated against observed uptake data before being implemented.

Critically, the NZD 5,000,000 minimum property value threshold for Category 3 is independent of the overall Qualifying Investment threshold escalation. When the overall threshold increases from NZD 5,000,000 to NZD 10,000,000 at the second Repricing Event, the per-property minimum value for Category 3 remains at NZD 5,000,000. The intended design outcome is that a participant satisfying the NZD 10,000,000 threshold through Category 3 alone does so by holding two or more qualifying New Zealand properties each valued above NZD 5,000,000, rather than by holding a single property at an elevated value floor. Legislation should be drafted to make the per-property minimum value and the aggregate Qualifying Investment threshold independently adjustable parameters, so that the government can vary either without automatically affecting the other.

The legislative drafting should preserve the government's ability to adjust Category 3 parameters — the minimum property value, the new-construction requirement, and the qualifying status of the category itself — prospectively, without affecting the grandfathered position of participants who elected into TRE when less restrictive Category 3 settings applied.

A.12.4 Evidence of Qualifying Investment

A prospective participant lodging an election notice after the first Repricing Event must provide Inland Revenue with evidence that the applicable Qualifying Investment threshold has been satisfied. The minimum required evidence by category is:

Investment Category	Required Evidence
AIP-approved growth funds	Current Immigration New Zealand confirmation of fund approval status; subscription agreement or unit register entry confirming investment amount and date; bank records confirming funds transferred
Direct equity in operating NZ businesses	Share register entry or shareholder certificate confirming equity held and consideration paid; company register search confirming NZ incorporation and registration; most recent financial statements confirming NZ operations and employment; bank records confirming funds transferred
Residential real property	Current registered title confirming ownership; registered valuation dated within 6 months of election notice confirming market value not less than NZD 5,000,000; confirmation of personal use

Where the Qualifying Investment is spread across multiple categories or multiple investments within a single category, the participant must provide aggregate evidence sufficient to demonstrate that the total investment in qualifying assets meets or exceeds the applicable threshold. Inland Revenue may prescribe supplementary evidence requirements by regulation.

A.12.5 Qualifying Investment and the Election Timing Incentive

The interaction between the Qualifying Investment threshold and the escalation schedule creates a deliberate and rational incentive for eligible individuals to elect early. Three distinct timing incentives operate simultaneously:

(a) Rate lock. Electing before a Repricing Event locks in the lower Principal Contribution rate for 16 years. The financial benefit of this lock compounds over the full Elective Period and is calculable with precision.

(b) Threshold lock. Electing before the first Repricing Event eliminates the Qualifying Investment requirement entirely. An individual who elects at launch faces no investment prerequisite; the same individual who delays election until after the first repricing must first deploy NZD 5,000,000 of incremental capital before lodging their election notice.

(c) Zero-Fee Level lock. Electing at launch locks in the NZD 25,000,000 Applicable Zero-Fee Level for QGI purposes. A participant who invests NZD 25,000,000 in qualifying NZ assets achieves a 100% reduction in their Annual Contribution under the launch-cohort formula, whereas the same NZD 25,000,000 investment achieves only a 50% reduction for a post-first-repricing cohort participant whose Applicable Zero-Fee Level is NZD 50,000,000.

The pre-announcement of repricing events — with a minimum notice period of not less than six months — converts these incentives from theoretical to urgent: a prospective participant who learns that a repricing event is six months away faces a quantified and time-bounded cost of delay.

A.12.6 Qualifying Investment — Relationship to QGI

The Qualifying Investment requirement and the Qualifying Growth Investment incentive in section A.14 are related but distinct mechanisms. The Qualifying Investment is a one-time condition of election. The QGI incentive is an ongoing mechanism by which a Participating Individual who maintains and grows their NZ investment position during the Elective Period can reduce their Annual Contribution prospectively.

An investment that satisfies the Qualifying Investment threshold at election may also qualify as a Qualifying Growth Investment for QGI reduction purposes, provided it meets the QGI category requirements in section A.14. The QGI reduction applies only from the commencement of the Elective Period — it does not apply during the Transitional Period, regardless of when the qualifying investment was made. Satisfying the Qualifying Investment threshold at election does not automatically generate a QGI reduction; the QGI reduction requires independent assessment under section A.14.

A.13 — Qualifying Offshore Capital and NZ-Origin Capital

A.13.1 Overview and Purpose

The QOC/NZ-Origin Capital distinction is the integrity boundary of TRE. It defines the perimeter of the income base to which the Annual Contribution applies, and the perimeter to which standard NZ tax rules continue to apply at full marginal rates. Every dollar of offshore income is on one side of this line or the other; there is no middle category.

The distinction serves two purposes. Substantively: TRE is designed to attract wealth that would not otherwise come to New Zealand — not to allow wealthy New Zealanders to repatriate domestically earned wealth at a concessional rate. Politically: the integrity of this boundary is the answer to the most obvious objection to the regime, and a clearly drafted boundary forecloses that objection.

A.13.2 Qualifying Offshore Capital — Definition

Qualifying Offshore Capital means all wealth held by a Participating Individual that was not generated from New Zealand sources during any period of New Zealand tax residency by that individual or any associated person. For the avoidance of doubt:

(a) Origin, not location, is the test. QOC is defined by where the wealth was generated, not by where it is currently held. A Participating Individual who holds offshore wealth in a NZ bank account has not thereby converted it into NZ-sourced capital. Conversely, NZ-Origin Capital held in an offshore account has not thereby become QOC.

(b) Growth and income from QOC remain QOC. Growth in the value of, and income derived from, assets held as QOC after the Participating Individual takes up New Zealand tax residency does not become NZ-sourced by reason only of that residency. All growth and income flows attributable to offshore capital — capital appreciation, dividends, interest, rental income, carried interest, partnership distributions — remain attributable to QOC regardless of when that growth or income accrues relative to the Election Date. The QOC base is not a static snapshot; it is a living pool that grows in the ordinary course.

(c) Reinvestment of QOC-derived income is QOC. Where income derived from QOC is reinvested offshore, the reinvested amount and any subsequent growth retains its QOC character regardless of asset class, jurisdiction, or investment vehicle.

(d) The associated person rule. QOC excludes wealth generated from NZ sources by any associated person (as defined under the Income Tax Act 2007) and subsequently transferred to the Participating Individual. This closes the most obvious structural avoidance pathway.

A.13.3 NZ-Origin Capital — Definition

NZ-Origin Capital means wealth generated from New Zealand sources during any period of New Zealand tax residency by the Participating Individual or any associated person. NZ sources means:

(a) Wages and salary earned from employment in New Zealand, including salary, bonuses, director's fees, share-based remuneration, and all other employment-related income derived from NZ sources.

(b) Business income derived from the operation of a business carried on in New Zealand, whether conducted through a company, partnership, trust, or in the individual's own name.

(c) NZ domestic investment income, including dividends from NZ-resident companies, interest from NZ financial institutions, income from NZ rental properties, and returns from NZ managed funds and other NZ-domiciled investment vehicles.

The definition of NZ-Origin Capital does not include: growth in the value of offshore assets even where that growth accrues during a period of NZ tax residency; income derived from QOC even where received in New Zealand; or capital gains on the disposal of QOC under New Zealand's current law which imposes no general capital gains tax.

A.13.4 The Round-Trip Blocking Rule

The round-trip scenario is the principal integrity risk: a wealthy New Zealander earns income in NZ, transfers that wealth offshore, departs, waits out the 10-year prior non-residence period, returns as a transitional tax resident, and seeks to have the repatriated wealth treated as QOC.

Wealth is NZ-Origin Capital — and therefore excluded from QOC — if it was generated from NZ sources during any period of NZ tax residency, regardless of: how long ago that period occurred; whether the wealth was transferred offshore before or after the prior non-residence period began; the number of intermediate transfers or reinvestments since original generation; or whether the wealth is currently held in a form unrecognisable as the original NZ-origin income.

The tracing burden is on the Participating Individual. Where a Participating Individual cannot demonstrate by sufficient evidence that a particular pool of wealth was not generated from NZ sources, Inland Revenue may treat that pool as NZ-Origin Capital.

A.13.5 Application to Returning New Zealanders

TRE does not bar returning New Zealanders from electing — the prior non-residence requirement is satisfied if the returning New Zealander has been absent from NZ tax residency for 10 years. What the QOC/NZ-Origin Capital distinction ensures is that TRE applies only to the genuinely offshore portion of their wealth. Income attributable to any NZ-origin portion remains taxable at full marginal rates under standard NZ rules regardless of TRE election.

A.13.6 Mixed Pools — Tracing and Apportionment

Where a Participating Individual holds wealth that is a mixture of QOC and NZ-Origin Capital, the recommended two-step methodology is:

Step 1 — Direct tracing where possible. Where a specific pool can be directly traced to a QOC or NZ-Origin Capital source with sufficient documentary evidence, direct tracing applies.

Step 2 — Proportional apportionment where direct tracing is not practicable. The pool is apportioned between QOC and NZ-Origin Capital by reference to the proportion of contributions from each source. Income generated by the pool is attributed in the same proportion.

The compliance burden of the tracing exercise falls on the Participating Individual. For Participating Individuals with complex multi-generational wealth structures, this may represent a meaningful compliance cost that advisers should price into election decisions.

A.13.7 Interaction with the Election Certificate

The Election Certificate records: a declaration that the Annual Contribution applies to income attributable to QOC; the approximate total value of the QOC pool at the Election Date for baseline purposes; and any known NZ-Origin Capital pools and their approximate value. These baseline values provide Inland Revenue with a reference point for audit if income composition claims change materially during the Elective Period.

A.13.8 Relationship to US Track Disclosure

For US Track Participating Individuals, the QOC/NZ-Origin Capital determination interacts directly with the disclosure requirements in section A.5.4. US Track participants are required to disclose sufficient information to permit calculation of their Uncapped NZ Tax Liability — that disclosure covers only income attributable to QOC. Income attributable to NZ-Origin Capital is disclosed through the standard NZ tax return process and is not part of the US Track disclosure regime. Full mechanics are in Annex B.

A.13.9 Summary — QOC vs NZ-Origin Capital

Feature	Qualifying Offshore Capital (QOC)	NZ-Origin Capital
Definition	Wealth not generated from NZ sources during any period of NZ tax residency	Wealth generated from NZ sources during any period of NZ tax residency
Includes	Offshore assets, offshore business interests, offshore investment returns	NZ wages, NZ business income, NZ domestic investment income
Growth during NZ residency	Remains QOC — not re-characterised by passage of NZ residency	Remains NZ-Origin Capital regardless of where held or reinvested
NZ tax treatment under TRE	Annual Contribution only (flat fee or capped)	Full NZ marginal rates — unchanged by TRE election
Associated person rule	Applies — NZ-origin wealth from associated persons excluded	Applies — NZ-origin wealth from associated persons included
Round-trip blocking	Applies — prior NZ-origin generation not erased by offshore transfer or time	N/A
Tracing burden	On the Participating Individual	N/A

A.14 — Qualifying Growth Investment Incentive

A.14.1 Overview and Policy Purpose

The Qualifying Growth Investment incentive is the mechanism by which TRE rewards participants who deploy capital into New Zealand's productive economy at scale. It converts the Annual Contribution from a fixed obligation into a variable one: the more a Participating Individual invests in qualifying New Zealand assets, the lower their Annual Contribution becomes, until at the zero flat-tax threshold the contribution reduces to zero.

The QGI incentive operates throughout the Elective Period as an ongoing, current-year mechanism applied to the Participating Individual's qualifying investment basis — the original capital deployed into qualifying assets, not the current market value of those assets. An investment of NZD 10,000,000 in a qualifying NZ business counts as NZD 10,000,000 toward the Qualifying Investment Basis regardless of whether that investment has since appreciated to NZD 15,000,000 or declined to NZD 7,000,000 in market value. Conversely, if that investment is disposed of or liquidated, the original NZD 10,000,000 basis is withdrawn from the Qualifying Investment Basis — not the sale proceeds. A participant who invested NZD 10,000,000 in Asset A and NZD 10,000,000 in Asset B (total basis NZD 20,000,000) and subsequently sells Asset A for NZD 15,000,000 has a Qualifying Investment Basis of NZD 10,000,000 after the disposal — the original basis of the disposed asset is removed regardless of the gain realised on sale. The incentive rewards continued commitment of capital to New Zealand's productive economy; it is not a mark-to-market mechanism.

A.14.2 The Applicable Zero-Fee Level

Programme Stage	Applicable Zero-Fee Level	Investment Increment Producing Each 10% Reduction
Launch (Cohort 1)	NZD 25,000,000	NZD 2,500,000
After first Repricing Event (Cohort 2)	NZD 50,000,000	NZD 5,000,000
After second Repricing Event (Cohort 3)	NZD 100,000,000	NZD 10,000,000

The Applicable Zero-Fee Level is grandfathered at the Election Date level. A Cohort 1 participant retains the NZD 25,000,000 zero-fee threshold for the full 16 years. The QGI formula is most accessible to participants who elect early — accessibility at the lower zero-fee threshold is part of the value proposition of the founding-rate lock.

A.14.3 The QGI Reduction Formula

Step 1 — Determine Qualifying Investment Basis.

Calculate the Participating Individual's total post-AIP qualifying investment basis in prescribed qualifying asset categories as at the measurement date for the relevant Contribution Year (see A.14.5).

Step 2 — Express as a percentage of the Applicable Zero-Fee Level.

Divide the Qualifying Investment Basis by the grandfathered Applicable Zero-Fee Level. Express as a percentage, rounded down to the nearest whole 10%.

Step 3 — Apply the reduction percentage to the Total TRE Obligation.

The QGI reduction equals the Step 2 percentage multiplied by the Total TRE Obligation (Principal Contribution plus all Dependent Contributions at grandfathered rates, before any WMAC Credit application). Subtract from Total TREO to produce the post-QGI obligation.

Step 4 — Apply WMAC Credits, floor at zero.

WMAC Credits available for application (section A.15) are applied against the post-QGI obligation. The Annual Contribution cannot be reduced below zero — QGI excess above the zero-contribution threshold is not refunded and does not carry forward, since QGI reduction is a current-year benefit only. However, WMAC Credits not needed in a given Contribution Year because QGI has already reduced the obligation to zero do carry forward indefinitely and remain available for application in future Contribution Years.

The formula expressed algebraically:

QGI Reduction = floor(QIB ÷ AZFL, 10%) × TTREO

Annual Contribution (before WMAC) = TTREO − QGI Reduction

Where: QIB = Qualifying Investment Basis; AZFL = Applicable Zero-Fee Level (grandfathered); TTREO = Total TRE Obligation; floor(x, 10%) = x rounded down to nearest whole 10%

A.14.4 Worked Examples

Note on basis vs. valuation: All figures in the Qualifying Investment Basis column represent original capital deployed, not current market value. A participant whose NZD 10,000,000 investment has appreciated to NZD 14,000,000 still has a Qualifying Investment Basis of NZD 10,000,000. A participant whose investment has declined to NZD 8,000,000 in value also retains a Qualifying Investment Basis of NZD 10,000,000 — the basis is reduced only upon disposal.

Example 1 — Cohort 1 (AZFL = NZD 25,000,000, Total TREO = NZD 600,000, single participant):

Qualifying Investment Basis	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
NZD 0	0%	0%	0	600,000
NZD 2,500,000	10%	10%	60,000	540,000
NZD 5,000,000	20%	20%	120,000	480,000
NZD 10,000,000	40%	40%	240,000	360,000
NZD 12,000,000	48%	40%	240,000	360,000
NZD 12,500,000	50%	50%	300,000	300,000
NZD 20,000,000	80%	80%	480,000	120,000
NZD 25,000,000	100%	100%	600,000	0

Example 2 — Cohort 2 (AZFL = NZD 50,000,000, Total TREO = NZD 800,000, indicative repriced rate):

Qualifying Investment Basis	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
NZD 0	0%	0%	0	800,000
NZD 5,000,000	10%	10%	80,000	720,000
NZD 25,000,000	50%	50%	400,000	400,000

Qualifying Investment Basis	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
NZD 50,000,000	100%	100%	800,000	0

Example 3 — Cohort 3 (AZFL = NZD 100,000,000, Total TREO = NZD 1,000,000, indicative mature rate):

Qualifying Investment Basis	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
NZD 0	0%	0%	0	1,000,000
NZD 10,000,000	10%	10%	100,000	900,000
NZD 50,000,000	50%	50%	500,000	500,000
NZD 100,000,000	100%	100%	1,000,000	0

Example 4 — Family of four, Cohort 1 (AZFL = NZD 25,000,000, Total TREO = NZD 900,000):

Qualifying Investment Basis	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
NZD 0	0%	0%	0	900,000
NZD 12,500,000	50%	50%	450,000	450,000
NZD 25,000,000	100%	100%	900,000	0

Example 4 confirms that the QGI reduction applies to the Total TRE Obligation — principal plus all dependents combined. The zero flat-tax threshold does not change based on family size; NZD 25,000,000 of qualifying investment eliminates the entire family's Annual Contribution for a Cohort 1 participant.

A.14.5 Measurement Date

The Qualifying Investment Basis for QGI reduction purposes is the aggregate original capital deployed by the Participating Individual into qualifying assets as at a prescribed date in each Contribution Year, net of the original basis of any qualifying assets disposed of since the prior measurement date. The recommended measurement date is the last day of the income year immediately preceding the relevant Contribution Year. This avoids year-end gaming — a participant cannot deploy capital immediately before the measurement date and withdraw it immediately after, because the basis of any disposed assets is removed from the calculation at the next measurement date regardless of when in the year the disposal occurred.

A.14.6 Qualifying Asset Categories for QGI Purposes

The three qualifying asset categories are the same as those in section A.12.3, applied on an investment basis above and beyond any AIP-related investment. AIP-related investment does not count toward the Qualifying Investment Basis.

(a) AIP-approved growth funds — investment above and beyond any AIP visa obligation, in funds approved under the AIP programme.

(b) Direct equity in operating New Zealand businesses — satisfying the legislative definition in section A.12.3. NZX-listed equity and NZ fixed-income instruments do not qualify.

(c) Residential real property for personal use — held for personal use of the Participating Individual and Eligible Dependents, with a purchase price or construction cost of not less than NZD 5,000,000. The per-property minimum of NZD 5,000,000 is independent of any change to the overall QGI formula parameters. Full qualifying asset definitions are in Annex E.

A.14.7 Valuation of Qualifying Assets

Asset Category	Valuation Basis
AIP-approved growth funds	Net asset value per unit as published by the fund manager at or nearest to the measurement date
Direct equity in unlisted NZ businesses	Original capital invested (subscription price or purchase consideration actually paid)
Residential real property	Purchase price as recorded in the sale and purchase agreement and confirmed by certificate of title transaction record. Where the property was constructed rather than purchased and the total cost of construction cannot be precisely determined from contract records (e.g. complex custom-build projects with multiple contractors or owner-supplied materials), a registered valuation dated within 24 months of the measurement date may be substituted. The purchase-price basis is consistent with the investment-basis principle governing the QGI formula generally: a participant whose NZD 6,000,000 property has appreciated to NZD 9,000,000 retains a qualifying basis of NZD 6,000,000; a participant whose property has declined in value also retains a qualifying basis of NZD 6,000,000, since they have not disposed of the asset.

A.14.8 Interaction with Annual Contribution Payment and WMAC Credits

The full Annual Contribution calculation sequence for any Contribution Year is:

Step 1: Total TRE Obligation = Principal Contribution + all Dependent Contributions (at grandfathered rates)

Step 2: QGI Reduction = floor(QIB ÷ AZFL, 10%) × Total TRE Obligation

Step 3: Post-QGI obligation = Total TRE Obligation − QGI Reduction

Step 4: Annual Contribution = Post-QGI obligation − WMAC Credits applied (not below zero)

A.14.9 QGI Reduction — Continuity and Disposal

The QGI reduction is a current-year determination. It does not carry forward, accumulate, or create entitlement to a reduction in future Contribution Years independent of the actual Qualifying Investment Basis in those years. There is no clawback of QGI reductions already applied in prior Contribution Years on the basis of subsequent disposal — the reduction was correctly calculated and applied in the year it was granted; disposal in a later year affects only that later year's reduction. A participant who disposes of all qualifying assets has a Qualifying Investment Basis of zero at the next measurement date and receives no QGI reduction in the following Contribution Year, with their full Total TRE Obligation payable (subject to WMAC Credits).

A.14.10 Relationship to the Qualifying Investment Requirement

Feature	Qualifying Investment (A.12)	QGI Incentive (A.14)
Purpose	Condition of election	Ongoing reduction mechanism
Timing	One-time at election	Current-year determination each Contribution Year
Effect of disposal	No ongoing effect after election	Reduces QGI reduction in year following disposal
Applicable threshold	Nil / NZD 5m / NZD 10m by stage	NZD 25m / NZD 50m / NZD 100m (Applicable Zero-Fee Level)
AIP exclusion	Applies	Applies
Grandfathered	Yes — at Election Date threshold	Yes — AZFL grandfathered at Election Date

A.15 — Wealth Migration Ambassador Credit (WMAC)

A.15.1 Overview and Policy Purpose

The Wealth Migration Ambassador Credit is TRE's peer-referral mechanism. It converts every satisfied Participating Individual into a potential recruitment channel for the programme, at zero cost to the Crown until a new participant has actually paid their first-year contribution. No comparable flat-tax regime globally — Italy, Switzerland, Greece, or the UK FIG — offers an equivalent mechanism.

The scheme is designed with Crown arithmetic integrity as its non-negotiable constraint. The Crown never extends credit before receiving cash. Every WMAC Credit issued is funded by the first-year payment of the recruited participant. The Crown receives its money first; the Ambassador's credit is applied against future obligations. The scheme is a deferral of future Crown revenue, not a forgiveness of it.

A.15.2 Eligibility to Register as an Ambassador

Any Participating Individual whose election has not lapsed or been voluntarily withdrawn may register as an Ambassador from the Election Date — there is no minimum participation period before registration. Registration is effected by written notice to Inland Revenue, upon which Inland Revenue issues a unique referral code. The referral code is personal to the Ambassador — non-transferable and non-assignable. An

Ambassador whose election lapses or is withdrawn ceases to be an Ambassador from the relevant date, and their referral code is deactivated. Any WMAC Credits accumulated but not yet applied are forfeited upon lapse or withdrawal.

A.15.3 The Referral Mechanism

An Ambassador earns a WMAC Credit when a person recruited by that Ambassador — a Recruited Participant — makes a valid election into TRE referencing the Ambassador's referral code in their election notice. The credit is not issued at election; it is issued only when the Recruited Participant has paid their first-year Annual Contribution in full to Inland Revenue. An Ambassador who recruits a participant who subsequently defaults on their first-year contribution earns no credit in respect of that recruitment. Where an election notice does not reference any referral code, no WMAC Credit is generated regardless of any informal introduction.

A.15.4 WMAC Credit Quantum

The WMAC Credit equals 50% of the Recruited Participant's first-year Total TRE Obligation — being the sum of the Recruited Participant's Principal Contribution and all Dependent Contributions at their Election Date rates. Representative credit amounts at launch rates:

Recruited Participant Configuration	First-Year Total TREO (NZD)	WMAC Credit to Ambassador (NZD)
Single participant, no dependents	600,000	300,000
Couple (principal + 1 dependent)	700,000	350,000
Family of three (principal + 2 dependents)	800,000	400,000
Family of four (principal + 3 dependents)	900,000	450,000

At subsequent repricings, the credit value escalates naturally with the Recruited Participant's higher Total TREO without any adjustment to scheme mechanics. The credit is calculated on the Recruited Participant's gross Total TREO before any QGI reduction or WMAC Credit applied by the Recruited Participant.

A.15.5 Crown Arithmetic

The Crown arithmetic holds at every programme stage. At launch rates for a recruited single participant (Total TREO NZD 600,000):

Year	Crown Receives from Recruited Participant (NZD)	WMAC Credit Issued (NZD)	Net Crown Revenue (NZD)
Year 1	600,000	300,000 (issued; applied against Ambassador's future contributions)	300,000 immediate + 300,000 deferred via Ambassador credit
Year 2+	600,000/yr	Nil	600,000/yr — full contribution received every subsequent year

The Ambassador's NZD 300,000 credit is applied against their own future Annual Contributions — which are themselves Crown revenue. No Crown revenue is forgiven at any point; all credits are deferrals of the Ambassador's own future contributions, funded by the incremental revenue generated by the recruit.

A.15.6 Application of WMAC Credits

WMAC Credits are applied as a reduction against the Ambassador's Annual Contribution obligations in future Contribution Years. Credits may only be applied against TRE Annual Contribution obligations — they may not be applied against any other NZ tax liability, including:

- Income tax on NZ-sourced income
- GST
- ACC levies
- KiwiSaver obligations
- Any other tax or levy administered by Inland Revenue outside the TRE regime

This restriction is fundamental to the scheme's integrity and must be stated explicitly in the legislation. WMAC Credits are not a general tax credit; they exist only within the TRE framework.

Credits are applied at the Ambassador's election in any amount up to their total accumulated credit balance, against their Annual Contribution obligation for the relevant Contribution Year. The Ambassador declares the amount of credits they wish to apply in their Annual Contribution declaration for that year. Inland Revenue verifies the declared application amount against the Ambassador's recorded credit balance and confirms the application. The credit balance is reduced by the amount applied; the remainder carries forward to subsequent Contribution Years without restriction. There is no ordering requirement, no minimum application amount, and no obligation to apply credits in the year they are earned. The Ambassador has complete discretion over the timing and quantum of credit application, subject only to the ceiling that credits cannot reduce the Annual Contribution below zero and cannot be applied against any non-TRE tax obligation.

A.15.7 Carry-Forward — No Expiry, No Ceiling

WMAC Credits that are not applied in the Contribution Year in which they are available carry forward automatically and indefinitely. There is no annual expiry of unused credits and no ceiling on the total credits that may be accumulated across the 16-year Elective Period. Credits accumulated in excess of remaining Annual Contribution obligations in the final Contribution Year are forfeited at natural expiry, consistent with treatment on lapse and withdrawal.

The carry-forward without ceiling is a deliberate design feature ensuring that active Ambassadors — those who recruit multiple participants — are not penalised by the mechanical mismatch between large accumulated credits and their own annual contribution obligation.

A.15.8 Single-Level Only — No Multi-Level Structure

The WMAC scheme operates on a single level only. An Ambassador earns a credit when they directly recruit a Recruited Participant. No credit flows from downstream referrals by those they recruited. A multi-level structure would create the legal and reputational characteristics of a pyramid or multi-level marketing scheme. This restriction must be stated unambiguously in the legislation. The Recruited Participant who themselves becomes an Ambassador earns credits only for their own direct referrals, not for any downstream referrals.

A.15.9 Prohibited Participants — Paid Intermediaries and Associated Persons

(a) Paid intermediaries. Any person receiving, or who has agreed to receive, remuneration from a prospective TRE participant in connection with that person's election — including immigration advisers, tax advisers, wealth managers, private bankers, and legal advisers — is not eligible to register as an Ambassador in respect of any referral arising from that advisory relationship. Professional advisers may be registered Ambassadors in respect of referrals arising from personal networks entirely unconnected to any paid engagement.

(b) Associated persons. An Ambassador may not earn a WMAC Credit in respect of the election of a person who is an associated person of the Ambassador as defined under the Income Tax Act 2007. Where an associated person elects and references the Ambassador's referral code, the election is valid but no WMAC Credit is issued. Inland Revenue should prescribe a declaration requirement in the election notice confirming no prohibited relationship exists. A false declaration constitutes an offence under the Tax Administration Act 1994.

A.15.10 Non-Transferability and Non-Monetisation

WMAC Credits are strictly non-transferable and non-monetisable. An Ambassador may not transfer, sell, pledge, or otherwise deal with credits as if they were a financial asset, or apply credits on behalf of another person against that person's Annual Contribution obligations. Any purported transfer or monetisation is void. Inland Revenue may cancel credits subject to a purported prohibited transfer and refer the matter for investigation under the Tax Administration Act 1994.

A.15.11 Administration — IRD Systems and Reporting

Capability	Description
Referral code issuance and tracking	Each Ambassador is assigned a unique referral code recorded against their IRD number; codes are validated against registered Ambassador status at the time of each election notice lodgement
Credit issuance and recording	Upon confirmation of a Recruited Participant's first-year contribution payment, Inland Revenue calculates the credit amount and records it against the Ambassador's IRD number

Capability	Description
Credit balance management	Running balance of accumulated, applied, and forfeited credits maintained per Ambassador; balance accessible through myIR or equivalent portal
Credit application processing	Ambassador declares amount of credits for application in Annual Contribution declaration; Inland Revenue verifies balance and confirms application
Expiry and forfeiture recording	Credits forfeited upon lapse, withdrawal, or natural expiry are recorded and the Ambassador notified
Prohibited relationship monitoring	Inland Revenue maintains a register of Ambassador/Recruited Participant pairs and flags any that appear to involve associated persons or paid advisory relationships for review

Full administration framework is set out in Annex J.

A.16 — Election Certificate: Prescribed Form and Content

A.16.1 Overview and Legal Status

The Election Certificate is the binding documentary record of a Participating Individual's TRE election. It is issued by Inland Revenue upon acceptance of a valid election notice and constitutes the definitive statement of the terms on which the Participating Individual has committed to TRE participation for the 16-year Elective Period. All grandfathered parameters are recorded on the Election Certificate, and Inland Revenue is bound by those parameters for the full Elective Period subject only to explicit Parliamentary override.

The Election Certificate should be treated by Participating Individuals and their advisers as having the standing of a binding ruling for the purposes of TRE planning across the Elective Period. Unlike a standard binding ruling, the Election Certificate is a standing instrument that governs the entirety of the participant's TRE obligations from the commencement of the Elective Period to its natural expiry, lapse, or voluntary withdrawal.

The Election Certificate is a document of record, not a negotiated instrument. Its content is prescribed by the TRE legislation and regulations; Inland Revenue has no discretion to vary its terms from the prescribed parameters applicable at the Election Date. A participant who disputes any parameter recorded on their Election Certificate must raise the dispute through the standard disputes process under the Tax Administration Act 1994.

A.16.2 Prescribed Content

Every Election Certificate must contain the following elements. Inland Revenue should prescribe the exact form by regulation, but the legislative instrument must specify these elements as mandatory content.

Part 1 — Participant Identification

Field	Content
Full legal name	As recorded on the participant's passport at the Election Date
Date of birth	DD/MM/YYYY
NZ IRD number	As assigned by Inland Revenue
Passport number and issuing country	Primary travel document at Election Date
TRE Election Certificate reference number	Unique reference number assigned by Inland Revenue at issuance

Part 2 — Residency and Election Timing

Field	Content
NZ tax residency commencement date	The date on which the participant first became a NZ tax resident in their current period of residency
Basis of NZ tax residency determination	183-day rule (section YD 1(a)) or permanent place of abode (section YD 1(b))
Transitional Period: start and end dates	First and last day of the four income years of NZ tax residency
Election Date	The date on which the complete and valid election notice was lodged with Inland Revenue
Elective Period: start date	First day of the fifth income year of NZ tax residency
Elective Period: scheduled end date	Last day of the 16th Contribution Year (20th income year of NZ tax residency)

Part 3 — Track Selection

Field	Content
Elected Track	US Track (Schedule 1) / Global Track (Schedule 2) [delete as applicable]
Track change history	Record of any Track changes effected by notice during the Elective Period, with effective dates [updated as applicable]

Part 4 — Grandfathered Contribution Rates

Field	Content
Principal Contribution rate (per annum, NZD)	Rate in effect at Election Date — grandfathered for full Elective Period
Dependent Contribution rate (per dependent per annum, NZD)	Rate in effect at Election Date — grandfathered for full Elective Period
Programme stage at Election Date	Launch / Post-first Repricing Event / Post-second Repricing Event [as applicable]

Part 5 — Eligible Dependent Schedule

Field	Content
Dependent schedule	Full legal name, date of birth, IRD number (if held), and relationship to participant for each Eligible Dependent included at Election Date
Total Dependent Contributions per annum at Election Date (NZD)	Number of dependents × grandfathered Dependent Contribution rate
Total TRE Obligation per annum at Election Date (NZD)	Principal Contribution + Total Dependent Contributions
Dependent schedule amendment history	Record of dependents added or removed by notice during the Elective Period, with effective dates [updated as applicable]

Part 6 — Qualifying Investment

Field	Content
Qualifying Investment threshold applicable at Election Date	Nil / NZD 5,000,000 / NZD 10,000,000 [as applicable] — grandfathered for full Elective Period
Qualifying Investment satisfied: confirmation	Yes / Not applicable (launch-phase election)

Field	Content
Qualifying Investment: asset category or categories relied upon	Category 1 / Category 2 / Category 3 / combination [as applicable]
Qualifying Investment: approximate total value at Election Date (NZD)	For record purposes

Part 7 — Qualifying Growth Investment Parameters

Field	Content
Applicable Zero-Fee Level (NZD)	Level in effect at Election Date — grandfathered for full Elective Period
Investment increment producing each 10% reduction (NZD)	Applicable Zero-Fee Level ÷ 10
QGI reduction basis	Qualifying Investment Basis (original capital deployed), not current market value

Part 8 — Source-of-Wealth Declaration Reference

Field	Content
SOF/SOW verification: status	Completed — verification reference number [assigned by Inland Revenue or Immigration NZ]
QOC declaration	Declaration that the Annual Contribution applies to income attributable to Qualifying Offshore Capital as defined in the TRE legislation, and that no known NZ-Origin Capital has been included in the QOC pool
Approximate QOC pool value at Election Date (NZD)	For baseline purposes — not a binding valuation
Known NZ-Origin Capital: approximate value at Election Date (NZD)	For baseline purposes — Nil if not applicable

Part 9 — Grandfathering Statement

The following statement must appear verbatim on every Election Certificate, in a form that is visually distinct from the surrounding content:

"The contribution rates, dependent rates, applicable zero-fee level, qualifying investment threshold, and elective period duration recorded in this Election Certificate are grandfathered parameters fixed as at the Election Date recorded above. They may not be increased, reduced, or otherwise varied by any administrative action, Ministerial direction, or regulatory amendment. They may be varied only by an Act of Parliament that expressly amends or overrides the grandfathering protection provided by [reference to enacting provision]. Inland Revenue is bound by the parameters recorded in this Certificate for the full Elective Period."

Part 10 — WMAC Ambassador Registration

Field	Content
Ambassador registration status	Registered / Not registered [updated upon registration]
Referral code	Assigned by Inland Revenue upon Ambassador registration — blank if not yet registered
Cumulative WMAC Credits earned to date (NZD)	Running record — updated by Inland Revenue upon each credit issuance
Cumulative WMAC Credits applied to date (NZD)	Running record — updated by Inland Revenue upon each annual declaration
Current WMAC Credit balance (NZD)	Running record

Part 11 — Certification

Field	Content
Issued by	Inland Revenue — Commissioner of Inland Revenue or authorised delegate
Issue date	Date of certificate issuance
Participant signature	Personal signature of the Participating Individual acknowledging receipt and confirming accuracy of declared particulars
Participant acknowledgement	Declaration that the participant understands: (a) the Annual Contribution obligation commences at the start of the Elective Period; (b) the Rising Cumulative Minimum days of presence requirement; (c) the lapse trigger and its consequences; (d) that WMAC Credits may only be applied against TRE Annual Contribution obligations; and (e) that the grandfathering protection is subject to override only by explicit Act of Parliament

A.16.3 Amendments to the Election Certificate

The Election Certificate is a living document updated by Inland Revenue during the Elective Period to reflect: addition or removal of Eligible Dependents (section A.4.4); Track changes (section A.2.2); Ambassador registration and referral code assignment (section A.15.2); and cumulative WMAC Credit balance movements (section A.15.7). Each amendment is recorded with the effective date. The original grandfathered parameters in Parts 4, 6, and 7 are never altered by an amendment. Inland Revenue must issue an updated certificate to the Participating Individual within 20 working days of any amendment taking effect.

A.16.4 Lost or Disputed Certificates

Where a Participating Individual loses their Election Certificate or disputes the accuracy of a parameter recorded on it, Inland Revenue must issue a replacement or corrected certificate within 20 working days of a written request, provided Inland Revenue is satisfied as to the identity of the requestor and the basis of any correction sought. A replacement certificate carries the same legal standing as the original. A disputed parameter is resolved through the standard disputes process under the Tax Administration Act 1994.

A.16.5 Certificate as Evidence in Audit

The Election Certificate is the primary document by which a Participating Individual demonstrates their TRE election status, grandfathered parameters, and entitlement to apply the Annual Contribution in lieu of standard NZ income tax on Qualifying Offshore Income. In any audit or investigation, the Election Certificate is conclusive evidence of the grandfathered parameters recorded in it, subject only to Inland Revenue's right to challenge the accuracy of the underlying declarations made at the time of election — in particular the QOC declaration in Part 8, the Qualifying Investment declaration in Part 6, and the source-of-wealth verification reference. The certificate does not preclude Inland Revenue from investigating whether income declared as Qualifying Offshore Income in fact qualifies as such under the QOC definition in section A.13.

A.17 — Future Extension: Entrepreneurial Track (Placeholder)

TRE's architecture could be expanded to accommodate high-value entrepreneurs who cannot afford the full Annual Contribution but who make equivalent or greater contributions to the New Zealand economy through job creation, intellectual property development, or other forms of productive economic activity. This is acknowledged as a future extension of the programme and is not designed in this proposal.

Qualification criteria for an Entrepreneurial Track—including minimum job-creation thresholds, IP registration requirements, revenue milestones, and the mechanism by which entrepreneurial contributions would substitute for or reduce the Annual Contribution—should be defined during the IRD/Treasury design phase. The existing TRE infrastructure (election mechanics, grandfathering, residency requirements, QOC framework) would apply without modification; only the pricing and eligibility gateway would differ.

ANNEX B: US Track

FTC Compatibility Analysis

Note to reviewing officials

The author's personal knowledge of US Foreign Tax Credit mechanics and IRC §877A exit tax implications is limited. The substantial majority of the technical analysis in this annex was generated with the assistance of artificial intelligence and has not been independently verified by the author to the same standard applied to the remainder of this document. Officials at Inland Revenue and Treasury drafting final regulations or providing advice on the US Track should subject every technical assertion in this annex to independent verification against current US statutory and regulatory authorities. Any errors in citation, interpretation, or application of US tax law are the responsibility of the drafting process, not deliberate representations by the author.

B.1 Scope and Purpose

The US Track is not a concession that advantages American participants. It is a technical adaptation that produces a substantially equivalent fiscal outcome to the Global Track, expressed in a form compatible with the United States' citizenship-based worldwide income tax system. Without this adaptation, TRE would be structurally inaccessible to US citizens and long-term permanent residents—a population that represents approximately 40% of current Active Investor Plus visa applicants and a proportionally significant share of the programme's projected revenue base.

This annex provides the complete technical architecture for the US Track cap mechanism. It addresses: the rationale for a cap-based structure rather than a flat fee; the FTC creditability analysis under IRC §901 and the NZ–US Double Tax Agreement; the deemed income formula that underpins the cap calculation; the interaction with IRC §877A (the US expatriation exit tax); the relationship between TRE and the Extended Revenue Account Method (RAM) provisions currently before Parliament; the FTC treatment of comparable flat-tax regimes in other jurisdictions; and the Track Change mechanics permitting participants to move between Tracks during the Elective Period.

The fundamental design constraint is that any NZ tax paid by a US Track participant must be creditable against the participant's US federal income tax liability. A non-creditable NZ tax produces genuine double taxation—the participant pays both the NZ contribution and full US tax on the same income, with no offset. Under such conditions, no rational US-citizen participant would elect into TRE. The cap mechanism solves this by computing NZ income tax under standard Income Tax Act 2007 rules—satisfying every US creditability requirement—and then limiting the resulting liability to a capped amount calibrated to approximate parity with the Global Track's flat fee.

B.2 US Track Eligibility: Scope and Definitions

The US Track is a US-specific mechanism. It is not a general "citizenship-based taxation" track applicable to multiple countries. Track 1 eligibility is confined to two categories of participant:

- **US citizens** (regardless of whether they also hold another citizenship), who remain subject to worldwide income taxation under IRC §1, §61, and §7701(a)(30) for as long as they retain US citizenship; and
- **US long-term permanent residents** (lawful permanent residents who have held LPR status in at least 8 of the prior 15 tax years under IRC §877A(g)(5)) who have not yet formally relinquished that status via Form I-407 or equivalent administrative or judicial determination.

All other participants—including Japanese nationals, all European nationals, all Asian nationals, and all other non-US nationalities—use the Global Track (Track 2). Japan uses residence-based taxation under the Income Tax Act (所得税法, Act No. 33 of 1965), Articles 2, 5, and 7. A Japanese citizen who becomes a New Zealand tax resident qualifies as a non-resident (非居住者) under Japanese law and is taxed in Japan on Japan-source income only. Japanese nationals are not US Track candidates.

Eritrea imposes a 2% diaspora tax on non-resident citizens, but this is a minor flat levy with internationally condemned enforcement mechanisms and is not a full worldwide income tax system comparable to the US. Eritrean nationals are Global Track participants. Hungary's former automatic-resident-citizen rule was of limited practical effect and the Hungary–US income tax treaty was terminated effective 1 January 2024. Hungarian nationals are Global Track participants.

Advisory note for Japanese participants: Japan's exit tax (国外転出時課税, Income Tax Act Article 60-2) applies to departing residents holding financial assets totalling ¥100 million or more who have been resident in Japan for more than 5 of the prior 10 years. This is a pre-departure matter between the Japanese participant and the National Tax Agency. It does not affect TRE Track eligibility or mechanics, but Japanese participants facing the exit tax may have a cash-flow consideration at the time of migration that should be addressed in pre-migration tax planning.

B.3 The Cap Mechanism: Architecture and Operation

B.3.1 Why a Cap, Not a Flat Fee

The Global Track charges a fixed annual flat fee (NZD 600,000 at launch for a principal applicant) without requiring detailed disclosure of foreign income sources on the NZ tax return. This structure is attractive to non-US participants—particularly Europeans and Asians who place high value on financial privacy—and is modelled on Italy's Article 24-bis substitutive tax.

That structure cannot work for US citizens. A flat fee with no underlying income computation fails the creditability requirements for the US Foreign Tax Credit under IRC §901. Specifically, a pure lump-sum payment with no connection to actual income fails the realization, gross receipts, cost recovery, and (potentially) attribution prongs of Treasury Regulation §1.901-2(b). The practical consequence is that the flat fee would not be creditable—the US citizen would pay both the NZ flat fee and full US tax on the same foreign-sourced income, with no offset. This is the precise outcome Italy's 24-bis regime produces for US citizens, and it is the reason US-citizen participation in Italy's programme is negligible.

The cap mechanism solves this by preserving the standard NZ income tax computation—which satisfies US creditability requirements because it is computed on a net-income basis with realization, gross receipts, and cost recovery—while limiting the resulting liability to a capped amount. The cap functions as a rate ceiling, not a base redefinition. The US participant's NZ tax is a real income tax, computed on real income, that happens to be subject to a statutory maximum. This structure has the strongest analytical basis for §901 creditability.

B.3.2 Operational Sequence

For each Contribution Year, the US Track participant's TRE obligation is determined as follows:

1. **Compute standard NZ tax liability.** Calculate the participant's NZ income tax on worldwide income under the Income Tax Act 2007, applying all standard rules including FIF attribution (as reformed by the RAM provisions where applicable), financial arrangement rules, CFC attribution, and all other applicable provisions. Full cost recovery, realization events, and arm's-length attribution principles apply. This produces the participant's Uncapped NZ Tax Liability.
2. **Apply the TRE cap.** If the Uncapped NZ Tax Liability exceeds the participant's Grandfathered Cap Amount (NZD 600,000 for a principal applicant at launch, plus NZD 100,000 per qualifying dependent),

the liability is reduced to the Cap Amount. If the Uncapped NZ Tax Liability is below the Cap Amount, the participant pays the lower amount. The Cap Amount is a ceiling, not a floor.

3. **Apply QGI reduction (if applicable).** The Qualifying Growth Investment reduction (Annex E) is applied to the post-cap amount. The QGI reduction can reduce the participant's Total TRE Obligation below the Cap Amount, including to zero where qualifying investment reaches the participant's Grandfathered Zero-Fee Level.
4. **Apply WMAC Credits (if applicable).** Wealth Migration Ambassador Credits are applied at the participant's election against the remaining obligation after QGI reduction. Credits carry forward indefinitely. The order of operations is: Uncapped Tax → Cap → QGI Reduction → WMAC Credits.

B.3.3 Disclosure Requirements

Because the US Track requires computation of actual NZ tax liability before the cap is applied, US Track participants must provide Inland Revenue with sufficient information to calculate the Uncapped NZ Tax Liability. This includes disclosure of worldwide income sources to the extent required by existing NZ income tax return obligations. The privacy benefit available to Global Track participants (no detailed foreign income disclosure) does not extend to the US Track. This is not a punitive distinction—it is a structural necessity arising from the creditability requirements of the participants' home tax system. US citizens are already required to report worldwide income to the IRS on Form 1040; the NZ disclosure obligation creates no incremental reporting burden for information the participant is already compiling.

B.3.4 Substantially Equivalent Outcome

The cap is calibrated so that the maximum NZ tax liability of a US Track participant equals the flat fee payable by a Global Track participant at the same Grandfathered Rate. At launch, a US Track principal applicant pays no more than NZD 600,000 per year—the same maximum as a Global Track principal. The difference is the route, not the destination: the Global Track participant pays a flat fee; the US Track participant has a tax computed on actual income and then capped at the same amount. The two Tracks produce equivalent maximum fiscal outcomes for the Crown and equivalent maximum cost to the participant.

Where the US Track participant's Uncapped NZ Tax Liability falls below the Cap Amount, the participant pays less than a Global Track participant would. This is an intended feature, not a deficiency: it ensures the US Track participant is never disadvantaged relative to standard NZ tax settings (they pay the lesser of standard NZ tax and the cap). It also ensures the cap mechanism is genuinely a ceiling rather than a minimum, which strengthens the creditability analysis under §901.

B.4 FTC Creditability Analysis Under IRC §901

This section analyses whether the TRE US Track cap-based tax satisfies the requirements for creditability as a foreign income tax under IRC §901. The analysis proceeds under both the current (post-TD 9959) regulatory framework and the pre-TD 9959 framework available under Notice 2023-55/2023-80 transitional relief.

B.4.1 The Four-Prong Test: Post-TD 9959 Framework

Under the final Foreign Tax Credit regulations issued as TD 9959 (87 FR 276, 4 January 2022), effective for tax years beginning on or after 28 December 2021, a foreign levy qualifies as a creditable "foreign income tax" only if it satisfies all four prongs of Treasury Regulation §1.901-2(b). Failure of any single prong renders the entire levy non-creditable.

Prong	Requirement	TRE US Track Assessment
1. Realization	Tax must be imposed upon or subsequent to events producing income	**Satisfied.** NZ income tax under the ITA 2007 is imposed on assessable income arising from realization events: receipt of dividends, interest, rental income, salary, and disposal of property. FIF

	realization under US principles (§1.901-2(b)(2)).	attribution under the FDR method applies a 5% deemed return to opening market value—a statutory realization proxy—which has been accepted as meeting the realization requirement for FTC purposes by US practitioners.
2. Gross receipts	Tax base must be computed by reference to gross receipts or gross income (§1.901-2(b)(3)).	**Satisfied.** NZ income tax is computed on assessable income (gross income equivalent). The ITA 2007 base is gross income from all sources less permitted deductions.
3. Cost recovery / Net income	Tax base must permit recovery of significant costs and expenses: capital expenditures, interest, rents, wages, COGS (§1.901-2(b)(4)).	**Satisfied.** NZ income tax permits deductions for virtually all categories of expenditure recognised under US principles: depreciation and amortisation, interest expense, rental costs, employment costs, and trading stock. NZ's deduction rules are broadly comparable to the US system. The cap applies after this computation, not before it.
4. Attribution / Nexus	For residents: transfer pricing must follow arm's-length principles without destination-based criteria (§1.901-2(b)(5)(ii)).	**Satisfied.** NZ taxes residents on worldwide income (residence-based jurisdiction). NZ transfer pricing rules follow OECD arm's-length principles. NZ does not use destination-based criteria for income attribution. The US Track participant is a NZ tax resident.

Because the cap is applied to a liability that is itself computed on a net-income basis satisfying all four prongs, the cap functions as a rate ceiling—analogous to a maximum marginal tax rate—rather than a redefinition of the tax base. The tax base computation (Steps 1–4 of the standard NZ income tax calculation) remains fully intact. The cap limits the amount of tax imposed on that base. The creditable amount is the lesser of the computed liability and the cap—which, by definition, is the amount actually payable.

B.4.2 The Compulsory Payment Requirement

Under Treasury Regulation §1.901-2(a)(2)(i), a foreign levy qualifies as a "tax" for FTC purposes only if it requires a compulsory payment pursuant to the authority of a foreign country to levy taxes. The compulsoriness standard, established in Biddle v. Commissioner, 302 U.S. 573 (1938), is determined under US law principles.

TRE is an elective regime—participants choose to elect into the 16-year programme. Two provisions of §1.901-2(e)(5) are relevant to elective regimes:

- **§1.901-2(e)(5)(iii)(A)–(B):** Elections affecting the timing or allocation of tax liability among entities do not make a payment non-compulsory. The TRE election is an election into a regime, not a timing or allocation election, so these provisions are not directly applicable but indicate that elections within a foreign tax system do not automatically disqualify a payment.
- **§1.901-2(e)(5)(iii)(C):** Where a taxpayer may determine liability under one of multiple alternative levies, each of which independently qualifies as a foreign income tax, the creditable amount equals the smallest of the alternative liabilities. This is the critical provision. If the TRE capped regime and the standard NZ income tax regime are treated as alternative levies, the creditable amount would be the lesser of the two—which, for any participant whose standard liability exceeds the cap, is the capped amount (i.e., the amount actually paid). The provision does not disqualify the payment; it limits the creditable amount to the lesser alternative.

The prevailing practitioner analysis is that once a taxpayer validly elects into an elective regime and is legally obligated to pay, the resulting payment is compulsory in the Biddle sense. The election is a precondition to the legal obligation, not a substitute for it. Once elected, the participant has no discretion over whether to pay—the liability is imposed by operation of NZ law.

B.4.3 Soak-Up Tax Analysis

Under former Treasury Regulation §1.901-2(a)(3)(ii), a foreign tax is non-creditable if its imposition depends on the availability of a foreign tax credit in another jurisdiction. This is the "but-for" test: a tax is disqualified if it would not exist, in whole or in part, but for the availability of a credit in the United States.

TRE is designed to survive soak-up scrutiny on two grounds:

5. **Broad applicability.** TRE is not designed exclusively for US citizens. The programme serves participants from all nationalities. The US Track is an accommodation within a broader regime, not a regime created for US participants. The existence and pricing of TRE is independent of the US FTC.
6. **No US-FTC-contingent pricing.** The cap amount is set at the Global Track flat fee level—a rate determined by reference to competitive positioning against Italy, Switzerland, and other comparator regimes. The cap is not calibrated to the US FTC limitation, the US effective tax rate, or any other US-specific variable. A participant from a jurisdiction without a foreign tax credit system would face the same cap amount.

No NZ-specific soak-up precedent has been identified. The structural design of TRE as a two-track programme available to all nationalities, with pricing determined by competitive considerations rather than US tax mechanics, provides a robust basis for soak-up survival.

B.4.4 Separate Levy Analysis

Under Treasury Regulation §1.901-2(d), levies imposed on different classes of persons or on different bases are treated as separate levies, each requiring independent creditability analysis. The question is whether the TRE capped tax constitutes a "separate levy" from standard NZ income tax.

There are two analytically defensible positions:

- **Same levy with a rate ceiling:** TRE does not change the tax base—it applies the standard ITA 2007 computation and then imposes a cap on the resulting liability. Under this analysis, the capped tax is the same levy (NZ income tax) with a maximum rate provision, not a separate levy. This is the stronger position for creditability purposes because it avoids triggering an independent creditability analysis for the capped amount.
- **Separate levy:** If the IRS were to treat TRE as a separate levy, the capped tax would need to independently satisfy all four prongs of §1.901-2(b). As demonstrated in section B.4.1, it does—because the cap is applied to a liability computed on a net-income basis with full cost recovery, realization, and attribution. The separate-levy analysis reaches the same creditability conclusion by a different route.

No IRS ruling directly addresses whether a cap on standard income tax liability constitutes a separate levy. The question is open but not outcome-determinative: both analytical paths lead to creditability.

B.4.5 Pre-TD 9959 Framework: Notice 2023-55 / 2023-80 Relief

Notice 2023-55 (21 July 2023, 2023-32 I.R.B. 427) permits taxpayers to apply the former (pre-TD 9959) versions of Treasury Regulation §§1.901-2(a) and (b)—the more permissive "predominant character" standard—in lieu of the current attribution and cost recovery requirements. Notice 2023-80 (11 December 2023, 2023-52 I.R.B. 1583) extended this relief indefinitely, applying until a notice withdrawing or modifying the relief is issued. As of March 2026, no withdrawal notice has been identified.

Under the pre-TD 9959 predominant character test (former §1.901-2(b)), a foreign tax was creditable if its predominant character was that of an income tax in the US sense—"likely to reach net gain in the normal circumstances in which it applies." NZ income tax on worldwide income, whether or not capped, overwhelmingly satisfies this standard. The predominant character of the capped NZ income tax is unambiguously that of an income tax—it is computed on assessable income under the ITA 2007 and taxed at NZ marginal rates, with only the final liability amount subject to a statutory ceiling.

The availability of the pre-TD 9959 framework provides a secondary creditability path in the event that the post-TD 9959 analysis is challenged on any prong. Taxpayers electing to apply the relief must do so consistently to all foreign taxes in the relevant year.

B.4.6 Supporting Judicial Authority

While no court has directly ruled on a "cap on standard income tax" structure, two decisions provide supporting analogical authority:

- **PPL Corp. v. Commissioner, 569 U.S. 606 (2013):** The Supreme Court held the UK windfall profits tax creditable, looking at the "practical effect" of the tax rather than its nominal form. The Court held that a tax reaching net gain in practical operation can be creditable even if structurally unusual. The TRE cap structure reaches net gain in practical operation—it is computed on net income—and then limits the amount payable.
- **Bank of America v. United States, 459 F.2d 513 (Ct. Cl. 1972):** A creditable foreign tax need not follow US computational methods; the relevant question is whether it reaches the same general concept of gain. NZ income tax under the ITA 2007 plainly reaches the same general concept of gain as the US Internal Revenue Code.

Revenue Ruling 2011-19 (IRB 2011-36) is also instructive. The IRS analysed the UK's £30,000/£60,000 Long-Term Non-Domiciliary Levy and found it creditable because the levy was structurally linked to nominated actual income and gains. The critical distinction from Italy and Greece's lump-sum regimes was that the UK had a nominated-income mechanism connecting the payment to actual income. The TRE cap structure has an even stronger connection—the entire NZ income tax computation on actual worldwide income is performed before the cap applies.

B.5 The NZ–US Double Tax Agreement: Treaty Basis for Creditability

B.5.1 Treaty Overview

The Convention between New Zealand and the United States for the Avoidance of Double Taxation was signed at Wellington on 23 July 1982, entered into force on 2 November 1983, and was substantially amended by the 2008 Protocol signed at Washington on 1 December 2008 (entering into force 12 November 2010). The treaty provides an independent legal basis for FTC treatment that operates alongside the §901 statutory analysis.

B.5.2 Article 22: Relief from Double Taxation

Article 22(1)(a) is an independent treaty obligation requiring the United States to allow foreign tax credits for NZ income tax paid by US residents and citizens. This is critically important because the TD 9959 attribution requirement does not apply where a tax is directly paid by a US resident and is treated as an income tax under an applicable US income tax treaty.

This means that even if a particular aspect of the TRE cap structure were to fail the §901 regulatory creditability test, a US citizen who is also a NZ tax resident could potentially claim an FTC for the NZ tax under the treaty, provided the tax qualifies as a "covered tax" under Article 2.

B.5.3 Article 2: Taxes Covered

Article 2 (as replaced by the 2008 Protocol) defines the taxes covered by the Convention:

- **Article 2(1):** The Convention applies to "taxes on income imposed on behalf of a Contracting State irrespective of the manner in which they are levied." The phrase "irrespective of the manner" is significant—it signals that the form of levy (flat rate, progressive rate, capped amount) is not determinative of coverage.

- **Article 2(2):** "Taxes on income" means all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of property.
- **Article 2(3)(a):** NZ taxes covered include "the income tax" (defined as "New Zealand tax" for Convention purposes).
- **Article 2(4) (catch-all):** The Convention also applies to any "identical or substantially similar" taxes imposed after the date of signature "in addition to, or in place of, the existing taxes."

The TRE US Track cap-based tax would be imposed under the NZ Income Tax Act 2007 (or amending legislation) and remains fundamentally a tax on income—computed on assessable income from all sources, at NZ marginal rates, with a statutory cap on the resulting liability. It would qualify under Article 2(4) as "identical or substantially similar" to the existing NZ income tax. The cap does not change the character of the underlying levy from a tax on income to something else.

B.5.4 The Saving Clause and Its Exceptions

Article 1(3) (the "saving clause") preserves each Contracting State's right to tax its own residents and citizens as provided in its internal laws. The second sentence expressly permits the United States to tax former citizens and long-term residents for 10 years following loss of status.

Critically, Article 1(4) lists specific exceptions to the saving clause. Among these, Article 22 (Relief from Double Taxation) survives the saving clause. This means the US is obligated to provide FTC relief for NZ income tax paid, even as it exercises its right under the saving clause to tax its citizens on worldwide income. The FTC mechanism is the treaty's answer to the double-taxation problem created by citizenship-based taxation.

B.5.5 Absence of a Special Tax Regimes Provision

The NZ–US treaty does not contain a "special tax regimes" provision akin to Article 1(7) of the 2016 US Model Treaty. The 1982 treaty (even as updated in 2008) predates this provision. There is no general anti-abuse or Principal Purpose Test (PPT) provision, and no Multilateral Instrument (MLI) update has been applied to this treaty. Article 16 (Limitation on Benefits, replaced by the 2008 Protocol) is a comprehensive anti-treaty-shopping provision but addresses entity qualification, not novel domestic tax regimes.

This is favourable for TRE. A special tax regimes provision could, in principle, restrict treaty benefits for income subject to a preferential domestic regime. Its absence means there is no treaty-level mechanism by which the US could deny treaty benefits solely because TRE provides a lower effective rate of NZ tax than the standard regime.

B.5.6 The Treaty as a Secondary Safety Net

The treaty's Article 2(4) catch-all and the Article 22 FTC obligation provide a secondary safety net for creditability. If the §901 regulatory analysis were challenged on any technical prong—a possibility that cannot be excluded given the absence of direct IRS guidance on cap structures—the treaty provides an alternative basis for the FTC claim. The TRE cap-based tax qualifies as a "covered tax" under Article 2, and Article 22 requires the US to allow a credit for it. The treaty and the statute are parallel paths to the same destination.

B.6 Deemed Income Formula and Derivation

B.6.1 The FIF Attribution Problem

The primary income category generating a material NZ tax liability for US Track participants is FIF (Foreign Investment Fund) income. Under the ITA 2007 (subpart EX), NZ residents with interests in foreign investment funds are subject to FIF attribution rules that deem a return on their offshore portfolio regardless of actual distributions received.

The standard attribution method for portfolio FIF interests is the Fair Dividend Rate (FDR) method, which deems income equal to 5% of the opening market value of the FIF interest for each income year. The participant pays NZ income tax at their marginal rate (up to 39%) on this deemed amount. For a US-citizen participant with a substantial offshore portfolio, the FDR-attributed income can produce an NZ tax liability well in excess of the TRE cap amount—which is the intended design outcome: the cap ensures the effective NZ tax burden remains within the competitive parameters established by the programme.

B.6.2 Extended RAM Interaction

The Revenue Account Method (RAM), introduced by the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill (Bill 199-1), provides an alternative FIF attribution method for eligible migrants. Under RAM, the taxpayer reports actual gains and losses on realisation of qualifying FIF interests (primarily pre-migration unlisted foreign shares) at a discounted inclusion rate of 70%, producing an effective top marginal rate of 27.3% (70% × 39%).

For US citizens who qualify as “Extended RAM taxpayers” under the Bill, RAM eligibility extends to all FIF interests including listed shares. This is because US citizens are subject to concurrent US taxation on actual gains and losses, and the RAM’s realisation-based approach produces NZ assessable income that corresponds more closely to the US realised income on which US tax is also payable—thereby generating a more usable FTC credit under IRC §904.

The TRE cap applies to the NZ tax liability however computed—whether under FDR, RAM, or any other applicable FIF method. The relationship between TRE and RAM is complementary: RAM improves the character and timing match of NZ tax for US FTC basket purposes; the TRE cap limits the absolute amount. The two mechanisms address different dimensions of the same problem.

B.6.3 The Deemed Income Derivation

The deemed income formula for the US Track is not, strictly, a formula at all—it is the standard NZ income tax computation applied to the participant’s worldwide income from all sources. The term “deemed income” in this context refers to the FIF attribution amount (whether FDR at 5% of opening market value, RAM at 70% of realised gains, or another permitted method) that forms part of the participant’s assessable income. The derivation proceeds as follows:

Step	Computation
1	Determine NZ-sourced income: employment income, business income, rental income, NZ interest and dividends, and any other NZ-source assessable income. Tax at standard NZ marginal rates. This income is not subject to the TRE cap—it is taxed in full under standard rules.
2	Determine foreign-sourced income: FIF-attributed income (FDR or RAM), CFC-attributed income, financial arrangement income, foreign employment income, foreign rental income, and all other foreign-source assessable income.
3	Apply all permitted deductions under Part D of the ITA 2007 to Steps 1 and 2. Compute net assessable income.
4	Apply NZ marginal tax rates to net assessable income. The result is the Uncapped NZ Tax Liability.
5	If the Uncapped NZ Tax Liability exceeds the participant’s Grandfathered Cap Amount, reduce the liability to the Cap Amount. This is the US Track participant’s TRE Tax Payable (before QGI and WMAC adjustments).

The critical feature of this derivation for FTC purposes is that every step follows standard NZ income tax law. The cap intervenes only at Step 5, after the complete income tax computation has been performed. The tax base is defined, computed, and fully resolved before the cap applies. This preserves the character of the payment as a tax on income for §901 purposes.

B.6.4 §904 Limitation Considerations

The US FTC is subject to the §904 limitation, which caps the creditable amount at the US tax attributable to foreign-source income in the relevant basket. For most TRE participants, the relevant basket is the "general category" (formerly "general limitation") basket under §904(d)(1)(B).

A structural challenge arises where NZ tax (particularly FIF attribution under FDR) generates NZ assessable income that has no corresponding US taxable event in the same year—for example, FDR deems 5% of opening market value as NZ income, but no corresponding US income arises until the asset is actually sold. The NZ tax paid on the FDR-attributed income may exceed the §904 limitation for that year because the US taxable income in the general basket is lower than the NZ assessable income.

This mismatch is a timing problem, not a creditability problem. Excess FTCs carry back one year and forward ten years under §904(c). When the US participant eventually realises the gain (triggering US tax), the previously unused FTCs become available. The RAM method partially mitigates this problem by aligning NZ and US recognition timing (both on realisation), producing a more closely matched FTC in the year of actual gain.

B.7 Interaction with IRC §877A: The US Exit Tax

IRC §877A imposes a mark-to-market exit tax on "covered expatriates" who relinquish US citizenship or cease to be long-term permanent residents. Given the wealth profile of TRE participants, virtually all US-citizen participants will meet the covered expatriate thresholds. This section analyses the interaction between §877A and TRE for participants who may renounce US citizenship during or after the Elective Period.

B.7.1 Covered Expatriate Thresholds

A "covered expatriate" is an expatriate meeting any one of three tests under §877A(g)(1)(A), incorporating §877(a)(2):

Test	Threshold	Notes
Net worth	USD 2,000,000 on expatriation date	Not inflation-adjusted. Determined under Chapter 12 principles—includes all worldwide real/personal property, life insurance, jointly owned property, beneficial interests in grantor trusts, general powers of appointment. Extremely broad.
Tax liability	Indexed annually (USD 206,000 for 2025)	Average annual net US income tax for 5 preceding years must equal or exceed the indexed threshold.
Certification	N/A	Failure to certify 5-year US tax compliance on Form 8854 under penalties of perjury. Effectively a documentation trap.

The net worth test alone will capture virtually all TRE participants. A participant with net worth below USD 2 million would not meet the AIP investment thresholds and would be unlikely to be a TRE candidate. Accordingly, the analysis proceeds on the assumption that all US Track participants who renounce US citizenship will be covered expatriates.

B.7.2 The Deemed Sale Mechanism

Under §877A(a)(1), all property of a covered expatriate is treated as sold on the day before the expatriation date for its fair market value. The resulting gain (net of a lifetime exclusion of USD 890,000 for 2025, inflation-adjusted) is taxed at applicable US capital gains rates (0%/15%/20% for long-term gains, plus the 3.8% Net Investment Income Tax under §1411).

An important inbound basis step-up applies under §877A(h)(2): for property held when the individual first became a US resident, basis is not less than fair market value on the date of first becoming US resident. This effectively eliminates pre-immigration gains from the §877A computation.

B.7.3 TRE's Interaction with §877A

The §877A deemed sale is a purely US concept. No actual sale occurs. New Zealand generally does not tax unrealised gains—NZ has no comprehensive capital gains tax—and has no mechanism to recognise a deemed sale existing only under US law. The only NZ capital gains provisions (the bright-line residential property test and property acquired with purpose of disposal) would not apply to a US-only fictional disposition.

The interaction has several practical dimensions:

- **No NZ FTC for §877A tax.** Because NZ does not impose tax on the §877A deemed gain, there is no NZ tax paid that could generate a foreign tax credit against the US §877A liability. The US exit tax is borne entirely by the participant as a US obligation. TRE does not mitigate or exacerbate this cost.
- **Timing independence.** The §877A event occurs on the formal renunciation date regardless of when NZ tax residency commenced. Earlier establishment of NZ residency does not change the §877A calculation. TRE participation has no effect on the §877A computation.
- **Dual-resident period.** Between the commencement of NZ tax residency and any future renunciation, the participant is simultaneously a US citizen (worldwide taxation) and a NZ tax resident (worldwide taxation). The saving clause (Article 1(3) of the NZ–US treaty) means the US taxes the citizen as if the treaty did not exist. Relief during this period comes from the US FTC for NZ taxes paid (which the cap mechanism is designed to make creditable) and from any NZ credit for US taxes on US-source income.
- **Post-renunciation Track change.** A US Track participant who renounces US citizenship and completes the §877A exit tax event may, pursuant to the Track Change by Notice mechanic (section B.10 below), switch from the US Track to the Global Track from the first day of the following Contribution Year. The Track change does not affect the Grandfathered Rate or any other grandfathered parameter.

B.7.4 Deferred Compensation, Tax-Deferred Accounts, and Trusts

US Track participants contemplating expatriation should be aware of §877A's special rules for non-mark-to-market assets:

- **Eligible deferred compensation (§877A(d)(1), (d)(3)):** Where the payor is a US person and the covered expatriate provides notice (Form W-8CE), the payor withholds 30% of each taxable payment. This applies to US-source deferred compensation arrangements.
- **Specified tax-deferred accounts (§877A(e)):** IRAs, §529 plans, HSAs, Coverdell accounts, and ABLE accounts are deemed distributed in full on the day before expatriation. No early distribution penalty applies (statutory override of §72(t)).
- **Nongrantor trusts (§877A(f)):** Trustees withhold 30% of the taxable portion of distributions to covered expatriates.
- **§2801 transfer tax:** If covered expatriate status attaches, all subsequent gifts and bequests to US persons are subject to a 40% transfer tax under §2801, with no expiration. Final regulations were issued 14 January 2025 (T.D. 10024, 90 FR 3376). This is a lifetime consequence that persists regardless of TRE participation.

These provisions are matters of US law administered by the IRS. TRE does not interact with them mechanically. They are noted here to ensure that IRD officials and NZ-based tax advisers serving US Track participants are aware of the full §877A landscape when advising on the US Track.

B.8 Relationship with the Extended RAM Provisions

B.8.1 RAM Overview

The Revenue Account Method (RAM), contained in the Taxation (Annual Rates for 2025–26, Compliance Simplification, and Remedial Measures) Bill (Bill 199-1, introduced 26 August 2025), introduces a realisation-based FIF attribution method for eligible migrants. The Bill is before the Finance and Expenditure Select Committee as of March 2026 and is expected to be enacted in mid-to-late 2026. RAM provisions have retrospective effect from 1 April 2025 for eligibility purposes.

Key RAM parameters:

- **Eligibility:** The person must have become NZ-resident and ceased being a transitional resident on or after 1 April 2024, and must have been non-resident for at least 5 years before becoming resident.
- **Attribution method:** Actual gains and losses on realisation of qualifying FIF interests, at a discounted inclusion rate of 70%.
- **Effective top rate:** 27.3% (70% × 39%).
- **Extended RAM for US citizens:** US citizens who qualify as "Extended RAM taxpayers" may apply RAM to all FIF interests, including listed shares—not merely unlisted foreign shares.

B.8.2 TRE Builds On, Rather Than Replaces, Extended RAM

TRE does not displace the Extended RAM. The two mechanisms operate in sequence:

7. **RAM reforms the FIF attribution method.** It changes how NZ assessable income from foreign portfolio interests is computed—from FDR's annual deemed return (5% of opening market value) to a realisation-based approach at a 70% inclusion rate. This addresses the FIF methodology problem.
8. **TRE caps the resulting tax liability.** After RAM (or FDR, or any other applicable method) has determined the assessable income and standard NZ income tax has been computed, TRE limits the total NZ tax payable to the Cap Amount. This addresses the aggregate tax burden problem.

The distinction is important: RAM alone does not solve the problem for HNWI participants. A US citizen with a USD 500 million offshore portfolio would still face substantial NZ tax under RAM—considerably above the NZD 600,000 cap—in any year with significant realisations. RAM reduces the tax relative to FDR in years without realisations, but does not provide the predictable ceiling that makes NZ internationally competitive. TRE provides that ceiling.

Conversely, TRE without RAM would still function—the cap applies regardless of which FIF method generates the underlying assessable income. But the combination of RAM and TRE is superior for US participants because RAM's realisation-based approach produces NZ assessable income that temporally matches the US realised income, generating a more usable FTC under §904 in the year the credit is most needed.

B.8.3 RAM Exit Tax and TRE Participants

The Bill introduces a narrow, targeted exit tax applying solely to FIF interests elected under RAM. When a RAM taxpayer ceases NZ tax residence, they are deemed to dispose of all RAM interests at market value immediately before becoming non-resident, with 70% of the resulting gain taxed at the marginal rate (effective top rate of 27.3%). A three-year post-departure tail applies to actual disposals of RAM interests.

For TRE participants, this exit tax is largely academic in the intended scenario. TRE is designed to make permanent settlement rational—participants who elect into the 16-year regime and complete it have, by definition, not departed. The exit tax is relevant only in lapse or voluntary withdrawal scenarios, where:

- A participant whose TRE election lapses (e.g., for failure to meet the rising cumulative minimum presence requirement) and who ceases NZ tax residence would be subject to the RAM exit tax on any RAM-elected FIF interests from the lapse date.
- A participant who voluntarily withdraws from TRE (with 90 days' notice) and subsequently departs would similarly trigger the RAM exit tax.

In both cases, the NZ tax liability arising from the RAM exit tax would be subject to TRE's cap for the Contribution Year in which the lapse or withdrawal occurs (since the participant was still a TRE participant at the start of that year). Whether the cap continues to apply to the RAM exit tax after the lapse date is a legislative drafting question that officials should resolve explicitly in the TRE enabling legislation.

B.9 Comparison with Other Flat-Tax Regimes: FTC Treatment

The TRE US Track's cap structure is designed specifically to avoid the FTC creditability failures that affect comparable regimes in other jurisdictions. The following table summarises the FTC treatment of the principal comparator regimes for US-citizen participants:

Regime	Amount	Basis	IRS Guidance	Creditability Assessment
Italy Art. 24-bis	€200K–€300K/yr	Fixed lump sum	None	Very likely NOT creditable. Fails net income, cost recovery, and gross receipts prongs. No income computation performed.
Switzerland forfait	CHF 250K–650K+	Living expenses	None	Almost certainly NOT creditable. Tax base is expenditures, not income. Fundamentally fails net income requirement.
Greece Art. 5A	€100K/yr	Fixed lump sum	None	Very likely NOT creditable. Mirrors Italy's structural deficiency—fixed payment disconnected from income.
Portugal NHR/IFICI	Exemption	No tax on foreign income	N/A	No FTC generated. Exempt income produces no Portuguese tax to credit.
UK RBC (abolished Apr 2025)	£30K/£60K	Nominated income	Rev. Rul. 2011-19	Creditable (confirmed). Linked to nominated actual income/gains—critical structural distinction from Italy/Greece.
TRE US Track	NZD 600K+ (cap)	Cap on computed income tax	None (novel)	**Strong case for creditability.** Full income tax computation performed before cap applies. Satisfies all four §1.901-2(b) prongs. Stronger structural linkage to income than any lump-sum comparator.

The critical design insight is that Italy, Greece, and Switzerland all fail creditability because their flat fees or expenditure-based computations have no connection to actual income. The UK's RBC succeeded because it was linked to nominated income. The TRE US Track goes further—it computes full NZ income tax on all worldwide income before the cap applies, providing the strongest possible structural linkage between the payment and the participant's actual income. This is why the US Track adopts a cap-on-income-tax architecture rather than mirroring the Global Track's flat fee.

B.10 Track Change Mechanics

A Participating Individual may change their elected Track (US Track to Global Track, or Global Track to US Track) at any time during the Elective Period by written notice to Inland Revenue. The Track change takes effect from the first day of the Contribution Year following the date on which the notice is received and accepted by Inland Revenue.

This provision accommodates material changes in the participant's tax circumstances, including:

- **Renunciation of US citizenship:** A US Track participant who renounces US citizenship and completes the §877A exit tax event ceases to be subject to US worldwide income taxation. They may elect to move from the US Track to the Global Track, gaining the privacy benefit (no detailed foreign income disclosure) and simplified flat-fee structure. This is expected to be the most common Track change scenario.
- **Adoption of citizenship-based taxation:** If a country were to introduce citizenship-based worldwide income taxation during the Elective Period, a Global Track participant who is a citizen of that country may need to move to the US Track to ensure their NZ tax remains creditable under the newly applicable foreign system.
- **Cessation of LPR status:** A US long-term permanent resident who formally relinquishes LPR status (and completes any §877A obligation) is no longer subject to US worldwide income taxation and may move to the Global Track.

A Track change does not affect the Grandfathered Rate, the Grandfathered Zero-Fee Level, or any other grandfathered parameter. These remain fixed at the original Election Date settings regardless of any Track change. The participant's 16-year Elective Period is also unaffected—the clock does not reset.

Inland Revenue may prescribe the form and content of a Track change notice. The administrative framework for Track changes should be specified in secondary legislation or official guidance (see Annex H).

B.11 Unresolved Questions and Recommendations for Officials

The FTC creditability analysis rests on structural argumentation from existing US statutory and regulatory authorities. No IRS ruling, technical advice memorandum, chief counsel advice, or private letter ruling directly validates the "cap on standard income tax liability" structure. The following questions are identified as unresolved and should be addressed during the legislative design phase:

#	Unresolved Question	Recommended Action
1	Is the TRE cap treated as a separate levy from standard NZ income tax under §1.901-2(d), requiring independent creditability analysis?	Commission independent US tax counsel opinion. Both analytical paths lead to creditability, but the preferred answer is that the cap is not a separate levy (merely a rate ceiling on the same levy).
2	Does §1.901-2(e)(5)(iii)(C) limit the creditable amount to the lesser of the capped and uncapped liabilities?	This limitation, if applied, produces the same result as the cap itself—the creditable amount equals the capped amount (which is what the participant actually pays). Confirm with US counsel that this provision does not create an additional restriction beyond the cap.
3	Will Notice 2023-55/2023-80 transitional relief (pre-TD 9959 framework) remain in effect indefinitely?	Monitor US Treasury guidance. If the relief is withdrawn, the post-TD 9959 framework becomes the sole analytical basis. The TRE cap structure is designed to satisfy the post-TD 9959 test, so withdrawal should not affect creditability—but the relief provides a useful secondary path.

4	Does Article 2(4) of the NZ–US treaty definitively cover the TRE cap-based tax as “identical or substantially similar” to NZ income tax?	Seek advice from NZ IRD treaty interpretation specialists and, if possible, informal guidance from the US competent authority. The strongest reading supports coverage, but no IRS or IRD guidance addresses novel NZ income tax regimes under this article.
5	How does the RAM exit tax interact with the TRE cap in lapse and voluntary withdrawal scenarios?	Resolve explicitly in enabling legislation. Specify whether the cap applies to exit tax liabilities arising in the Contribution Year of lapse/withdrawal and whether exit tax liabilities arising after the lapse date fall outside the TRE framework entirely.
6	Should NZ seek a competent authority agreement or advance pricing arrangement with the IRS to confirm FTC treatment of the US Track?	Consider but approach cautiously. A competent authority agreement would provide certainty but may attract political attention or delay. An informal confirmation through established bilateral channels may be more practical.
7	Is the TRE legislative design soak-up-proof? Could the legislative history or design documents be cited as evidence that the regime was designed to exploit the US FTC?	Ensure the enabling legislation and all official commentary frame TRE as a broadly available programme for all nationalities, with the US Track as a technical accommodation—not as a regime designed for or marketed primarily to US taxpayers. This annex and any related official guidance should be reviewed by US tax counsel for soak-up risk before publication.

The overall creditability case is strong. The TRE US Track cap structure satisfies all four prongs of the post-TD 9959 regulatory test, survives soak-up analysis, benefits from treaty coverage under Article 2(4), and is supported by analogical judicial authority. The unresolved questions identified above are matters of prudent due diligence, not structural deficiencies. They should be addressed as part of the normal legislative design process in consultation with qualified US international tax counsel.

End of Annex B. Cross-references: Annex A (Full TRE Terms Sheet), Annex E (QGI Formula and Mechanics), Annex H (Residency Mechanics and Administration), Annex J (WMAC Integrity and Administration Framework).

ANNEX C: Qualifying Offshore Capital and NZ-Origin Capital

The capital-origin integrity boundary of TRE: a complete technical reference for Treasury and Inland Revenue officials

C.1 Purpose and Scope

This annex is the single authoritative reference for the distinction between **Qualifying Offshore Capital (QOC)** and **NZ-Origin Capital** under TRE. The main body of the proposal (Part 3, Section 3.8) summarises the capital-origin rule in a single sentence; this annex delivers the complete technical architecture behind it.

The QOC/NZ-Origin Capital distinction is the integrity boundary of the regime. It determines which income falls within the Annual Contribution (and is therefore sheltered from standard New Zealand income tax) and which income remains subject to full marginal-rate taxation under ordinary rules. Every dollar of a Participating Individual's offshore income sits on one side of this line or the other. There is no middle category, no partial attribution, and no discretionary classification.

Without this boundary, TRE would be vulnerable to two distinct integrity risks. First, it could shelter income that ought properly to be subject to New Zealand tax—in particular, income derived from wealth originally earned in New Zealand and subsequently moved offshore. Second, it could create a mechanism by which returning New Zealanders repatriate NZ-origin wealth under the Annual Contribution rather than at full marginal rates. The QOC/NZ-Origin Capital distinction forecloses both risks.

All defined terms used in this annex have the meanings assigned in Annex A, Section A.1, unless expressly stated otherwise. Where this annex restates a definition from Annex A, it does so for the reader's convenience; Annex A governs in the event of any discrepancy.

C.2 Interpretation

The following terms are central to this annex. Each is defined in Annex A, Section A.1, and reproduced here for ease of reference.

Table C.1 — Key Defined Terms

Term	Definition
Qualifying Offshore Capital (QOC)	All wealth held by a Participating Individual that was not generated from New Zealand sources during any period of New Zealand tax residency by that individual or any associated person. Income attributable to QOC is the income base to which the Annual Contribution applies. [A.1, A.13.2]
Qualifying Offshore Income (QOI)	Income derived from Qualifying Offshore Capital during a Contribution Year, being the income base to which the Annual Contribution applies under either Track. [A.1]
NZ-Origin Capital	Wealth generated from New Zealand sources during any period of New Zealand tax residency by the Participating Individual or any associated person, whether or not that wealth was subsequently transferred offshore. NZ-Origin Capital is excluded from QOC. [A.1, A.13.3]

Associated person	As defined under the Income Tax Act 2007. The associated person rule extends the NZ-Origin Capital exclusion to wealth generated by related parties and subsequently transferred to the Participating Individual. [A.13.2(d)]
Mixed pool	A pool of capital in which QOC and NZ-Origin Capital are commingled such that direct tracing to a single origin is not practicable. [A.13.6]
Round-trip capital	A colloquial term (not a statutory definition) for NZ-Origin Capital that has been transferred offshore and is subsequently presented as QOC. The round-trip blocking rule (C.6) ensures such capital retains its NZ-Origin character permanently. [A.13.4]
Election Certificate	The binding documentary record of a Participating Individual's TRE election, recording (among other matters) the QOC declaration and approximate QOC pool value at Election Date. [A.1, A.16]

C.3 The Capital-Origin Rule: Fundamental Principle

The governing rule is stated simply: ***origin, not location, determines classification.***

Qualifying Offshore Capital is defined by where the wealth was generated, not by where it is currently held. A Participating Individual who holds offshore wealth in a New Zealand bank account has not thereby converted it into NZ-sourced capital. Conversely, NZ-Origin Capital held in an offshore account—even in a jurisdiction with no information-exchange agreement with New Zealand—has not thereby become QOC.

The practical consequence is that the classification of any pool of capital is fixed at the point of original generation and does not change by reason of subsequent transfer, reinvestment, currency conversion, or change of custodian. A dollar of wealth earned in Auckland remains NZ-Origin Capital when it is remitted to a Singapore bank account, reinvested in a Hong Kong-listed security, and returned to Auckland as a dividend. The entire chain is traced to its NZ origin.

This principle applies symmetrically in the opposite direction. A dollar of wealth earned in London before the Participating Individual ever became a New Zealand tax resident is QOC when it is brought into New Zealand, invested in a New Zealand bank deposit, and subsequently withdrawn and reinvested offshore. The NZ-resident phase of the chain does not alter the capital's character.

The origin test is objective. It depends on the factual source of the wealth—wages earned, business income derived, investment returns received—not on the Participating Individual's intention, the label applied by an intermediary, or the form of the holding vehicle. Inland Revenue's assessment of origin is a question of fact and evidence, not of discretion.

C.4 Qualifying Offshore Capital: Complete Definition

Qualifying Offshore Capital means all wealth held by a Participating Individual that was not generated from New Zealand sources during any period of New Zealand tax residency by that individual or any associated person. The definition operates through four limbs, each of which is essential to the integrity of the regime.

C.4.1 Limb (a): Origin, Not Location, Is the Test

As set out in C.3 above, QOC is defined by where the wealth was generated. The current location of the capital—whether held in New Zealand or offshore—is irrelevant to its classification. This principle applies in both directions: offshore-earned wealth held domestically remains QOC; NZ-earned wealth held offshore remains NZ-Origin Capital.

C.4.2 Limb (b): Growth and Income from QOC Remain QOC

This limb is critical to the commercial viability of the regime and must be stated with particular prominence.

Growth in the value of, and income derived from, assets held as Qualifying Offshore Capital after the Participating Individual takes up New Zealand tax residency does not become NZ-sourced by reason only of that residency. All growth and income flows attributable to offshore capital—capital appreciation, dividends, interest, rental income, carried interest, partnership distributions, and any other form of return—remain attributable to QOC regardless of when that growth or income accrues relative to the Election Date.

Without this rule, the QOC base would erode over time through the mere passage of residency. A Participating Individual who held USD 50 million of offshore portfolio investments at Election Date would find that the dividends and capital appreciation generated by those investments in year 5 of the Elective Period were reclassified as NZ-sourced—solely because the individual had been a New Zealand tax resident during the period of accrual. This would defeat the purpose of the regime. The QOC base is not a static snapshot frozen at Election Date; it is a living pool that grows in the ordinary course of investment management.

C.4.3 Limb (c): Reinvestment of QOC-Derived Income Retains QOC Character

Where income derived from QOC is reinvested offshore, the reinvested amount and any subsequent growth retains its QOC character regardless of asset class, jurisdiction, or investment vehicle. A Participating Individual who receives USD 2 million in dividends from an offshore portfolio, reinvests those dividends in a different offshore fund, and subsequently realises a capital gain on that fund, holds QOC throughout the chain. The reinvestment rule is a corollary of Limb (b): if income from QOC is itself QOC, then capital deployed using that income is also QOC.

C.4.4 Limb (d): The Associated Person Exclusion

QOC excludes wealth generated from New Zealand sources by any associated person (as defined under the Income Tax Act 2007) and subsequently transferred to the Participating Individual. The associated person definition in the Act is broad and well-established; it captures family members, business partners, entities controlled by or related to the individual, and trustees of trusts in which the individual has a beneficial interest.

This limb closes the most obvious structural avoidance pathway. Without it, a Participating Individual could arrange for NZ-sourced wealth to be earned by a spouse, parent, trust, or controlled company—each of which would not themselves be a Participating Individual—and subsequently transferred to the Participating Individual as QOC. The associated person rule ensures that the origin of the wealth is tested across the full range of related-party relationships, not merely at the level of the individual participant.

The associated person test is applied at the time of original generation, not at the time of transfer. Wealth generated from NZ sources by a person who was associated with the Participating Individual at the time of generation remains NZ-Origin Capital even if the association has since ceased (for example, by divorce or dissolution of a business relationship).

Table C.2 — Four Limbs of the QOC Definition

Limb	Effect
(a) Origin test	QOC is defined by where wealth was generated, not where it is held
(b) Growth rule	Growth and income from QOC remain QOC, regardless of when accrued relative to Election Date

(c) Reinvestment rule	Reinvested QOC-derived income retains QOC character through all subsequent transactions
(d) Associated person exclusion	Wealth generated from NZ sources by an associated person and transferred to the Participating Individual is NZ-Origin Capital

C.5 NZ-Origin Capital: Complete Definition

NZ-Origin Capital means wealth generated from New Zealand sources during any period of New Zealand tax residency by the Participating Individual or any associated person. The three recognised New Zealand sources are:

Table C.3 — New Zealand Sources for NZ-Origin Capital

Source Category	Description
Wages and salary	Wages, salary, bonuses, director's fees, share-based remuneration, and all other employment-related income derived from New Zealand sources.
Business income	Income derived from the operation of a business carried on in New Zealand, whether through a company, partnership, trust, or in the individual's own name.
NZ domestic investment income	Dividends from NZ-resident companies, interest from NZ financial institutions, income from NZ rental properties, and returns from NZ managed funds and other NZ-domiciled investment vehicles.

C.5.1 What NZ-Origin Capital Does Not Include

The following categories of wealth are expressly ***not*** NZ-Origin Capital, even where they accrue during a period of New Zealand tax residency:

Table C.4 — Categories Excluded from NZ-Origin Capital

Category	Rationale
Growth of offshore assets during NZ residency	Capital appreciation on QOC assets does not become NZ-sourced merely because the Participating Individual is a New Zealand tax resident. This is the direct application of Limb (b) of the QOC definition.
Income derived from QOC	Dividends, interest, rental returns, and other income flows attributable to QOC remain QOC-sourced, regardless of when received or where received.
Capital gains on disposal of QOC	New Zealand currently imposes no general capital gains tax. Gains realised on the disposal of QOC assets are not NZ-Origin Capital. If a general CGT is introduced in the future, the interaction with TRE would require legislative coordination.

The combined effect of C.4 and C.5 is a clear, binary classification: every dollar of a Participating Individual's wealth is either QOC (sheltered by the Annual Contribution) or NZ-Origin Capital (subject to standard NZ tax at full marginal rates). The boundary is determined at the point of original generation and, subject to the associated person rule and the round-trip blocking rule, does not change thereafter.

C.6 The Round-Trip Blocking Rule

The round-trip blocking rule is the primary anti-avoidance provision of the QOC/NZ-Origin Capital framework. Its purpose is to prevent wealth originally generated from New Zealand sources from being laundered into QOC status through offshore transfer and return.

C.6.1 The Rule

Wealth is NZ-Origin Capital—and therefore excluded from QOC—if it was generated from New Zealand sources during any period of New Zealand tax residency, **regardless of:**

(a) how long ago that period of New Zealand tax residency occurred;

(b) whether the wealth was transferred offshore before or after the prior non-residence period began;

(c) the number of intermediate transfers or reinvestments since original generation;

(d) whether the wealth is currently held in a form unrecognisable as the original NZ-origin income (for example, where NZ salary has been used to purchase offshore real estate, which has subsequently been sold and the proceeds reinvested in an unrelated offshore fund).

The NZ-Origin character of the wealth is permanent. No amount of time offshore, no number of intermediate transactions, and no change in the form of the asset can convert NZ-Origin Capital into QOC. The rule is deliberately strict; it admits no exceptions and no de minimis threshold.

C.6.2 Burden of Proof

The tracing burden falls on the Participating Individual. Where a Participating Individual cannot demonstrate by sufficient evidence that a particular pool of wealth was not generated from New Zealand sources, Inland Revenue may treat that pool as NZ-Origin Capital. This default classification reflects the policy intent that the benefit of the Annual Contribution shelter is available only for wealth whose offshore origin is affirmatively established.

"Sufficient evidence" is not defined by statute but will in practice require documentary records establishing the original source of the wealth and its subsequent chain of custody. The standard of evidence is expected to be consistent with existing Inland Revenue practice for transfer pricing and source-of-funds determinations under the Tax Administration Act 1994. Where the Participating Individual has maintained complete records, the burden is straightforward. Where records are incomplete or unavailable (as may be the case for wealth accumulated decades earlier or in jurisdictions with limited record-keeping infrastructure), the Participating Individual bears the risk of reclassification.

C.6.3 Worked Example: The Round-Trip Scenario

Scenario: Individual A was a New Zealand tax resident from 2005 to 2012. During that period, A earned NZD 8 million in business income from a New Zealand-based consultancy. In 2013, A departed New Zealand, transferred the NZD 8 million to a Singapore bank account, and invested it in a portfolio of Asian equities. By 2028, the portfolio has grown to NZD 14 million. A returns to New Zealand in 2029, qualifies as a transitional tax resident, and elects into TRE.

Analysis: The original NZD 8 million was generated from New Zealand sources during a period of NZ tax residency. It is NZ-Origin Capital. No subsequent event—the offshore transfer, the investment in Asian equities, the passage of 17 years, or the change in form—alters that classification. Income attributable to that NZD 8 million (including the NZD 6 million of appreciation) is ***not*** sheltered by the Annual Contribution. It is taxable under standard NZ rules at full marginal rates.

Importantly, the NZD 6 million of appreciation on the NZ-Origin Capital base is itself NZ-Origin Capital—not QOC. This follows from the principle that the origin test attaches at the point of generation. The appreciation was generated by reinvestment of NZ-Origin Capital; it therefore inherits the NZ-Origin character of the underlying base. The Limb (b) rule (growth from QOC remains QOC) operates symmetrically: growth from NZ-Origin Capital remains NZ-Origin Capital.

If A also holds a separate portfolio of USD 20 million that was earned from consulting engagements performed entirely outside New Zealand during the 2013–2028 non-residence period, that portfolio is QOC and its income is sheltered by the Annual Contribution. The two pools must be traced and separated.

C.7 Application to Returning New Zealanders

TRE does not bar New Zealand citizens or former residents from electing into the regime, provided the ten-year prior non-residence requirement under section HC 1 of the Income Tax Act 2007 is satisfied. A New Zealander who left the country more than ten years ago, built substantial offshore wealth during the intervening period, and now wishes to return as a permanent tax-paying resident is eligible on exactly the same terms as any other applicant.

The QOC/NZ-Origin Capital distinction ensures that TRE applies only to the genuinely offshore portion of the returning New Zealander's wealth. Income attributable to any NZ-origin portion—wealth earned in New Zealand before departure—remains taxable at full marginal rates regardless of TRE election. The regime does not permit a returning New Zealander to shelter wealth that was originally generated in New Zealand.

C.7.1 Worked Example: Returning New Zealander

Scenario: Individual B is a New Zealand citizen who left in 2012 after 15 years of residency. During those 15 years, B accumulated NZD 4 million in savings from employment in Auckland. After departure, B worked in Singapore for 12 years, building an offshore investment portfolio worth NZD 30 million—none of which was derived from New Zealand sources. B also kept the NZD 4 million invested in an offshore bond fund, which has grown to NZD 6 million. B returns to New Zealand in 2025 and elects into TRE.

Table C.5 — Capital Classification: Returning New Zealander

Pool	Value	Classification and Consequence
Offshore portfolio (built in Singapore)	NZD 30m	QOC — generated from non-NZ sources during non-NZ-residence period. Income sheltered by Annual Contribution.
Original NZ savings	NZD 4m (original basis)	NZ-Origin Capital — generated from NZ sources during NZ tax residency. Income subject to full marginal rates.
Growth on NZ savings	NZD 2m	NZ-Origin Capital — growth attributable to NZ-Origin Capital base. Income subject to full marginal rates.

B's effective position under TRE: the NZD 30 million offshore portfolio is covered by the Annual Contribution; the NZD 6 million of NZ-origin wealth (original NZD 4 million plus NZD 2 million growth) is taxed at standard NZ rates on any income it generates. B does not receive a "discount" on NZ-origin wealth merely by holding it offshore for a period.

C.7.2 Political Significance

The returning-New-Zealander scenario is likely to attract particular political scrutiny. Critics will ask whether TRE permits wealthy Kiwis to leave, build fortunes, and return on preferential terms—thereby accessing the Annual Contribution on wealth that "should" be fully taxed. The answer is precisely calibrated: TRE is available to returning New Zealanders, but only on wealth they did not earn in New Zealand. The QOC/NZ-Origin Capital distinction is the mechanism that makes this calibration possible. It should be communicated proactively in any public-facing description of the regime.

C.8 Mixed Pools: Tracing and Apportionment

In practice, many Participating Individuals will hold wealth in mixed pools—accounts, funds, or holding structures containing both QOC and NZ-Origin Capital. The regime requires a methodology for attributing income from such pools to one category or the other. The confirmed methodology operates in two steps.

C.8.1 Step 1: Direct Tracing

Where the origin of a particular dollar, deposit, or investment position can be traced directly to a specific source—whether a NZ salary payment, an offshore dividend receipt, or any other identifiable transaction—direct tracing is used. Direct tracing produces the most accurate classification and is always preferred.

In practice, direct tracing will be straightforward for wealth held in segregated accounts or investment vehicles. A Participating Individual who maintains a separate offshore brokerage account funded entirely by pre-residency offshore earnings has a pure QOC pool requiring no apportionment. Inland Revenue should encourage Participating Individuals to maintain segregated accounts where practicable, as this substantially reduces the compliance burden on both sides.

C.8.2 Step 2: Proportional Apportionment

Where direct tracing is not practicable—for example, where QOC and NZ-Origin Capital have been commingled in a single bank account or pooled investment vehicle over an extended period—proportional apportionment applies. The pool is apportioned between QOC and NZ-Origin Capital by reference to the proportion of contributions from each source. Income generated by the pool is attributed in the same proportion.

C.8.3 Worked Example: Mixed Pool Apportionment

Scenario: Individual C holds a single offshore portfolio account containing NZD 15 million. The account was funded over a period of years from two sources: NZD 10 million of offshore earnings (QOC) and NZD 5 million of NZ business income (NZ-Origin Capital). The funds were commingled upon deposit; direct tracing of individual positions to their original funding source is not practicable. In the current Contribution Year, the portfolio generates NZD 1.2 million of income.

Table C.6 — Mixed Pool Apportionment

Item	Amount	Proportion / Treatment
Total pool	NZD 15,000,000	100%
QOC contribution	NZD 10,000,000	66.7%
NZ-Origin Capital contribution	NZD 5,000,000	33.3%
Total income in Contribution Year	NZD 1,200,000	100%
Income attributed to QOC (66.7%)	NZD 800,000	Sheltered by Annual Contribution
Income attributed to NZ-Origin Capital (33.3%)	NZD 400,000	Taxable at full marginal rates

C.8.4 Ongoing Maintenance of Proportions

The apportionment ratio is not frozen at Election Date. Where additional contributions are made to a mixed pool from either source, the ratio must be updated to reflect the revised contribution proportions. Where the Participating Individual withdraws capital from a mixed pool (for personal expenditure, for example), the withdrawal is treated as drawn proportionally from both sources unless the individual can demonstrate by direct tracing that the withdrawal came exclusively from one source.

Inland Revenue should publish guidance setting out the acceptable methodologies for maintaining and updating mixed pool ratios, including the frequency of recalculation (recommended: annually, at the same date as the QGI measurement date) and the evidentiary standard for claiming a deviation from proportional withdrawal.

C.8.5 Compliance Burden

The compliance burden for mixed pool tracing and apportionment falls on the Participating Individual. This is consistent with the general burden-of-proof allocation throughout the QOC framework: the benefit of Annual Contribution shelter is available only for income whose QOC origin is affirmatively established. Where the Participating Individual cannot produce sufficient evidence to support a particular apportionment ratio, Inland Revenue may apply a default classification of 100% NZ-Origin Capital to the untraced portion.

In practice, most Participating Individuals at the wealth levels targeted by TRE maintain detailed records through their family office, private bank, or wealth management provider. The apportionment exercise is expected to be a one-time classification effort at or near Election Date, with annual maintenance thereafter being a relatively modest administrative task.

C.9 Interaction with the Election Certificate

The Election Certificate (prescribed in Annex A, Section A.16) records three items of information directly relevant to the QOC/NZ-Origin Capital classification:

Table C.7 — Election Certificate: QOC-Related Content

Certificate Part	Content	Purpose
Part 8(i)	QOC declaration	A declaration by the Participating Individual that the Annual Contribution applies to income attributable to QOC.
Part 8(ii)	Approximate QOC pool value at Election Date	A baseline figure for compliance purposes. Not a binding cap on QOC—the pool may grow thereafter under Limb (b).
Part 8(iii)	Known NZ-Origin Capital pools and approximate value	Identifies known NZ-Origin Capital at Election Date. Omission of a known NZ-Origin Capital pool is a false declaration.

C.9.1 Evidentiary Function

The Election Certificate is the primary document demonstrating TRE election status and is conclusive evidence of the grandfathered parameters recorded in it. However, the QOC declaration recorded on the Election Certificate does not preclude Inland Revenue from investigating whether income declared as Qualifying Offshore Income in any subsequent Contribution Year in fact qualifies as such under the QOC definition. The certificate records the Participating Individual's declaration; it does not immunise that declaration from scrutiny.

C.9.2 The QOC Pool Value as Baseline, Not Cap

The approximate QOC pool value recorded at Part 8(ii) of the Election Certificate is a baseline figure for compliance reference. It is expressly not a cap on the QOC pool. Limb (b) of the QOC definition (growth from QOC remains QOC) means that the pool will ordinarily grow over the Elective Period. A Participating Individual whose QOC pool was NZD 50 million at Election Date and has grown to NZD 80 million by Contribution Year 10 is not required to reclassify the NZD 30 million of appreciation as NZ-Origin Capital. The appreciation is QOC.

The baseline value does, however, serve as a practical audit reference point. A Participating Individual whose declared QOC pool has grown from NZD 50 million to NZD 200 million in three years may be asked by Inland Revenue to demonstrate that the growth is attributable to genuine investment returns rather than reclassification of NZ-Origin Capital. The baseline provides the starting point for that enquiry.

C.10 Application to Track-Specific Disclosure

The QOC/NZ-Origin Capital distinction interacts differently with the disclosure obligations of each Track.

C.10.1 US Track (Track 1)

US Track participants must disclose sufficient information about their Qualifying Offshore Income to permit Inland Revenue to calculate the Uncapped NZ Tax Liability under standard New Zealand rules (Annex A, Section A.5.4). This disclosure extends to income derived from QOC only. Income on NZ-Origin Capital is taxable under standard NZ rules and disclosed through the ordinary income tax return; it is outside the TRE framework entirely.

The QOC/NZ-Origin Capital distinction therefore determines the perimeter of the TRE supplementary disclosure form for US Track participants. Income attributable to QOC goes on the supplementary form; income attributable to NZ-Origin Capital goes on the standard return. Where a US Track participant holds mixed pools, the apportionment methodology in C.8 determines how income is allocated between the two reporting channels. Full US Track disclosure mechanics are set out in Annex B.

C.10.2 Global Track (Track 2)

Global Track participants are exempt from per-source disclosure of Qualifying Offshore Income (Annex A, Section A.6.3). The privacy architecture shelters the identity, location, and value of offshore assets held as QOC, the quantum of income derived from those assets, and the identity of offshore counterparties, custodians, and investment managers.

The privacy feature does ***not*** extend to NZ-Origin Capital income, which must be disclosed and taxed in full under standard NZ rules. Global Track participants are therefore required to classify their income streams into QOI (sheltered; no per-source disclosure required) and NZ-Origin income (fully disclosed and taxed at marginal rates). The QOC/NZ-Origin Capital distinction is the mechanism by which this classification is made.

Where a Global Track participant's QOC declaration is subsequently challenged by Inland Revenue and income is reclassified from QOI to NZ-Origin, the participant becomes liable for the full marginal-rate tax on that income for the relevant Contribution Year, plus any applicable use-of-money interest. The Annual Contribution already paid in that year is not refunded on account of the reclassification—the Annual Contribution is a fixed obligation, not a function of the quantum of QOI.

Table C.8 — QOC/NZ-Origin Capital: Track-Specific Application

Feature	US Track (Track 1)	Global Track (Track 2)
QOI disclosure	Per-source disclosure required (A.5.4 supplementary form)	No per-source disclosure; privacy feature applies (A.6.3)
NZ-Origin Capital income	Disclosed on standard NZ income tax return	Disclosed on standard NZ income tax return
QOC declaration	Recorded on Election Certificate	Recorded on Election Certificate
Mixed pool apportionment	Determines split between supplementary form and standard return	Determines split between sheltered and fully-disclosed income

IRD audit scope	May examine QOC classification and QOI calculation	May examine QOC classification; cannot require per-source QOI breakdown

C.11 Legislative Drafting Notes

This section sets out recommendations for parliamentary counsel on the legislative treatment of the QOC/NZ-Origin Capital distinction.

C.11.1 Standalone Definitional Provision

The definitions of Qualifying Offshore Capital and NZ-Origin Capital should be enacted as a standalone definitional provision within the TRE subpart of the Income Tax Act 2007, rather than buried within the operative provisions governing either Track. Both Tracks rely on the same capital-origin distinction; the definitions must be shared provisions in the principal enactment, not duplicated in each schedule.

C.11.2 Interaction with the Associated Person Definition

The associated person test in Limb (d) of the QOC definition relies on the existing statutory definition of "associated person" under the Income Tax Act 2007 (subpart YB). No new definition is required or recommended. The TRE provision should cross-reference the existing definition by section number. This ensures that any future amendment to the associated person rules automatically flows through to the QOC framework without requiring a consequential amendment to the TRE subpart.

C.11.3 Statutory Language for the Round-Trip Blocking Rule

The round-trip blocking rule should be enacted in terms that are both comprehensive and resistant to avoidance by form. Recommended language (or substantially equivalent):

"Wealth generated from New Zealand sources during any period of New Zealand tax residency is NZ-Origin Capital regardless of whether that wealth has been transferred outside New Zealand, the length of time it has been held outside New Zealand, the number of intermediate transactions or reinvestments through which it has passed, or the form in which it is currently held."

This formulation deliberately avoids an exhaustive list of transactions that do not change the classification (which would invite structuring around omissions). Instead, it states the rule as a positive assertion of permanence—the character is fixed at generation and nothing subsequent changes it.

C.11.4 Burden-of-Proof Specification

The legislation should expressly state that the burden of establishing QOC status falls on the Participating Individual. This is a departure from the general default under section 149A of the Tax Administration Act 1994 (which places the onus on the Commissioner in challenge proceedings) and should be enacted as a specific override. The policy justification is that the Participating Individual is claiming a benefit (Annual Contribution shelter) in respect of specific income; the onus to demonstrate entitlement to that benefit should rest with the claimant.

The recommended legislative standard is: "The Participating Individual must establish, on the balance of probabilities, that the income in respect of which the Annual Contribution is applied is derived from Qualifying Offshore Capital." This standard is consistent with the civil standard applied elsewhere in New Zealand tax law and does not impose a criminal or quasi-criminal burden.

C.11.5 Interaction with Existing Tax Provisions

The QOC/NZ-Origin Capital distinction operates within the existing NZ income tax framework. It does not modify the source rules under the Income Tax Act 2007 for any purpose other than determining which income falls within the Annual Contribution. All NZ-sourced income—whether earned by a Participating Individual or any other taxpayer—continues to be taxable under standard rules. The TRE subpart should contain a clear savings provision: "Nothing in this subpart affects the application of this Act to income derived from New Zealand sources or to income derived from NZ-Origin Capital."

C.11.6 Regulation-Making Power

The legislation should include a regulation-making power enabling the Governor-General, by Order in Council on the recommendation of the Minister of Revenue, to prescribe:

(a) the form and content of the source-of-wealth declaration required at election;

(b) the evidentiary standard for QOC claims, including acceptable documentation types;

(c) the methodology for mixed pool apportionment, including the frequency of recalculation and the treatment of withdrawals;

(d) the form and content of annual QOC compliance declarations for both Tracks.

This regulation-making power allows Inland Revenue to refine the administrative framework as the programme matures and as practical experience with mixed pool scenarios accumulates—without requiring a legislative amendment for each procedural refinement.

End of Annex C

Annex D: Evidence Citations: The Year-4 Cliff

Full citation and quotation set for the year-4 transitional tax residency cliff evidence referenced in the main body

D.1 Purpose and Scope

This annex is the complete evidentiary compendium supporting the diagnosis, advanced in Part 2 of the main body, that New Zealand's four-year transitional tax residency cliff is the single most significant structural impediment to converting high-net-worth migrant interest into permanent settlement and Crown tax revenue. Every source cited or referenced in Part 2's treatment of the cliff is reproduced here in full, with direct quotation, publication details, date of access, and URL where available.

The evidence is organised in descending order of institutional authority. Government acknowledgments appear first, because the Crown's own concession of the problem eliminates any need to establish it independently. Legislative responses follow, because Parliament does not enact exit taxes in anticipation of a population it expects to stay. Professional advisory community evidence comes next, providing the mechanism—the specific advisory conversations and client decisions—through which the cliff produces departures. Broader professional consensus and structural evidence then confirm that no credible dissenting view exists within the advisory community.

Peer-reviewed academic literature on the tax elasticity of high-income mobile individuals is presented in Annex I and is not duplicated here. The four papers cited there—Schmidheiny & Slotwinski (2018), Baselgia & Martínez (2025), Kleven, Landais & Saez (2013), and one further paper—provide the theoretical framework within which the NZ-specific evidence in this annex should be read. Cross-references to Annex I are noted where relevant.

Where sources are available only behind paywalls, login walls, or via subscription databases, the publication reference and URL are provided for verification. Where sources have been removed or relocated since the date of access, that circumstance is noted.

D.2 Government Acknowledgment

The strongest evidence that the four-year cliff deters high-net-worth settlement comes from the New Zealand Government itself. Three institutional sources—the Revenue Minister, Inland Revenue's policy division, and IRD's legislative commentary—each independently confirm that current tax settings deter migration and incentivise departure. No external evidence is needed to establish a problem the Crown has itself diagnosed and legislated to address.

D.2.1 Revenue Minister Simon Watts (March 2025)

In March 2025, Revenue Minister Simon Watts publicly acknowledged that the FIF rules—the principal post-transitional tax burden facing migrant investors with offshore portfolios—have **"deterred international talent and capital from relocating to New Zealand."** The Minister stated that the government intended to "act swiftly to remove barriers for highly skilled migrants to stay." The language is significant: the Minister did not describe a theoretical risk or an unconfirmed hypothesis. He described an observed deterrent effect that the government proposed to address through legislation.

Source: *NZ Herald*, 12 March 2025. https://www.nzherald.co.nz/business/personal-finance/tax/...

See also: Beehive press release, March 2025 (beehive.govt.nz).

D.2.2 Inland Revenue Consultation Paper (December 2024)

Inland Revenue's issues paper on the effect of FIF rules on immigration—released in December 2024—contains three passages directly relevant to the cliff diagnosis. Each is reproduced below.

Passage 1 (deterrence of arrival):

> *"The FIF rules may be discouraging non-residents… from coming to and staying in New Zealand."*

Passage 2 (liquidity mismatch):

> *"Migrants will generally have made their investments without awareness of the FIF rules and may not be organised so that they can fund the tax on deemed, rather than actual, income."*

Passage 3 (departure incentive):

> *"[Tax rules] may also become an incentive to leave New Zealand for New Zealand tax residents we would like to retain."*

The third passage is the most directly relevant. It describes not merely a deterrent to arrival but an active incentive to depart—precisely the mechanism Part 2 diagnoses. IRD's language ("tax residents we would like to retain") confirms that the departures are not marginal or hypothetical: they involve individuals the Crown values and would prefer to keep.

> Source: Inland Revenue, *The Effect of FIF Rules on Immigration*, Issues Paper, December 2024. taxpolicy.ird.govt.nz [PDF].

D.2.3 IRD Bill Commentary (2025)

The IRD's commentary on the Taxation (Annual Rates for 2025–26, Compliance, and Simplification) Bill explicitly describes the transitional residency expiry as the triggering event for FIF liability. The commentary states: "After her transitional resident status expires… the FIF rules apply." The use of a narrative example ("her") confirms that the bill's architects understood the cliff as a concrete, individual-level event—not an abstract policy concern.

> Source: Inland Revenue, Commentary on the Taxation (Annual Rates for 2025–26, Compliance, and Simplification) Bill, 2025. taxpolicy.ird.govt.nz [PDF].

D.3 Legislative Response: The RAM Bill as Implicit Admission

The Taxation (Annual Rates for 2025–26) Bill introduced the Revenue Account Method (RAM) for FIF income and, separately, an exit tax on deemed disposal of assets upon departure from New Zealand tax residency. Both provisions are legislative responses to the cliff and constitute structural admissions that the problem described in this annex is real, material, and anticipated by officials.

D.3.1 The Revenue Account Method

The RAM was introduced specifically to address the cliff for a defined cohort: migrants who arrived during the COVID-19 pandemic and whose transitional residency periods were expiring. Deloitte NZ (Robyn Walker) confirmed the timing directly:

> *"This date has not been plucked out of thin air. The revenue account method is being implemented as a result of influx of migrants who moved to New Zealand during the COVID-19 pandemic and who have had or will have their transitional residency end."*

The RAM partially mitigates the FIF problem by offering a realisation-based alternative to the Fair Dividend Rate method. It does not, however, address the broader suite of post-transitional tax obligations (CFC attribution, financial arrangements rules, worldwide income on non-FIF categories) that together constitute the cliff. The RAM is a targeted patch. It confirms the problem while leaving the structural architecture intact.

> Source: Deloitte NZ, *Revenue Account FIF Method is Coming*, 2025. deloitte.com/nz

> See also: EY Global Tax Alert, *New Zealand Proposes Changes Aimed at Easing Tax Obligations for New Migrants and Remote Workers*. ey.com

> See also: Bell Gully, *Significant Tax Reforms Proposed: FIF Rules, Remote Workers and Employee Share Scheme Tax Deferral*. bellgully.com

> See also: IRD Fact Sheet, March 2025. taxpolicy.ird.govt.nz [PDF].

D.3.2 The Exit Tax Provision

The same bill includes an exit tax: a deemed disposal at market value upon departure from New Zealand tax residency. The evidentiary significance of this provision cannot be overstated. A government does not legislate an exit tax unless it anticipates a population that will exit. The provision is an implicit fiscal admission that the cliff produces departures of sufficient number and asset magnitude to warrant a legislative response designed to capture unrealised gains before departure.

The exit tax provision also confirms the sequencing that Part 2 of the main body describes: the cliff first deters deep investment during the transitional period (to avoid creating ties that would complicate departure), and then drives departure at or before month 49. The exit tax addresses only the second stage. The suppression of investment during the first stage—the permanent place of abode (PPOA) avoidance behaviour documented in Part 2—is not addressed by the RAM or the exit tax and remains a structural cost of the current architecture. TRE addresses both stages.

D.4 Professional Advisory Community: Direct Confirmation of Departures

The following sources are the Tier 1 professional evidence base. Each is a named practitioner or firm with direct, first-hand client exposure to the cliff's effects. They are presented in order of evidentiary directness.

D.4.1 Simpson Grierson (Barney Cumberland & Nick Bland, December 2024)

Simpson Grierson—one of New Zealand's largest full-service law firms—published the most direct statement of the cliff's effect on client behaviour:

> *"We are aware of situations in which migrants holding minority shareholdings in private overseas companies choose, towards the end of their period of transitional residence, to leave New Zealand rather than face the full implications of FIF taxation of unrealised gains."*

The passage is notable for its specificity. It describes a defined asset class (minority shareholdings in private overseas companies), a defined timing (towards the end of the transitional period), and a defined outcome (leaving New Zealand). The firm further stated:

> *"The global environment for attracting high net worth migration and highly mobile skilled labour is very competitive. If New Zealand wants to be an attractive destination, the FIF regime and the transitional resident rules require an overhaul."*

Source: Simpson Grierson, *Review of FIF Rules: Welcome but Should Be Extended*, December 2024. simpsongrierson.com

D.4.2 KPMG NZ (April 2024 Insight; 2025 Submission)

KPMG NZ addressed the cliff in two publications. The April 2024 insight note stated:

> *"The FIF tax settings can create a significant financial barrier to highly skilled New Zealanders returning, and new migrants moving, to New Zealand."*

The 2025 submission to IRD was more direct on the departure mechanism:

> *"For those individuals already here… it can lead to them leaving, or looking to leave New Zealand, to avoid prohibitive tax bills on paper gains."*

KPMG also confirmed awareness of imminent departures among their client base:

> *"KPMG is aware of many individuals with transitional resident status who may choose to leave New Zealand prior to their status expiring"* if reforms are not made available.

Source: KPMG NZ, *Foreign Investment Funds*, Insight, April 2024. kpmg.com/nz

Source: KPMG NZ, Submission on FIF Rules, 2025. assets.kpmg.com [PDF]

D.4.3 NZIER (Peter Wilson & Julie Fry, April 2024)

The New Zealand Institute of Economic Research published the most comprehensive independent study of the cliff's effect, commissioned by the American Chamber of Commerce NZ, Auckland Business Chamber, Edmund Hillary Fellowship, and NZUS Council. The report, based on interviews with actual and potential migrants, produced the most quoted passages in the public debate.

On departure timing:

> *Interviewees described being "ready to leave New Zealand before they reach the end of their four-year transitional residency period."*

On the severity of the barrier:

> *Direct quote from interviewee: "The bar to stay is so freaking high."*

On the aggregate pattern:

> *"Some of our original interviewees have already left New Zealand. More are poised to do so if these issues are not addressed."*

The NZIER report characterised the pattern as a **"silent epidemic"**—language that captures both the scale (epidemic) and the data gap (silent) that officials must confront. The report also documented that the cliff's effects extend beyond the wealthy to skilled migrants holding offshore equity from prior employment (e.g., technology founders with pre-migration stock options), broadening the economic cost beyond the HNWI cohort.

Source: NZIER, *The Place Where Talent Does Not Want to Live*, Report to AmCham NZ, Auckland Business Chamber, Edmund Hillary Fellowship, and NZUS Council, April 2024. nzier.org.nz [PDF]

See also: NZIER, Submission to IRD on FIF Proposals, January 2025. nzier.org.nz [PDF]

See also: NZIER, Submission to Finance and Expenditure Committee. nzier.org.nz [PDF]

D.4.4 Deloitte NZ (Robyn Walker, Tax Partner, September 2025)

Robyn Walker, Tax Partner at Deloitte NZ and one of New Zealand's most prominent tax commentators, described the cliff mechanism in terms that capture its practical effect on household decision-making:

> *People reaching the end of the four-year period realise "if they did not leave the country, they could have an 'astronomical' tax bill and no cash on hand to pay it."*

Walker also confirmed that the problem is especially acute for US citizens, who face the compounding interaction of NZ FIF taxation with US citizenship-based taxation—producing permanent, irrecoverable double taxation on phantom income. This specific issue is addressed in the main body (Part 2, Sections 2.4–2.5) and in the US Track architecture (Annex B). Walker's identification of the liquidity mismatch ("no cash on hand to pay it") is consistent with IRD's own consultation paper language (Section D.2.2 above) and with the structural analysis in Part 2.

> Source: RNZ, *Possible Tax Break for Migrants as Government Considers Foreign Investment Fund Rules*, September 2025. rnz.co.nz

> See also: Deloitte NZ, *Reducing the Tax Barrier for Migrants*, February 2025. deloitte.com/nz

D.4.5 Henry Brandts-Giesen, Dentons NZ

Brandts-Giesen, a specialist immigration and investor adviser, provided the single most operationally specific statement of the cliff's effect:

> *"In recent months I have reversed high impact investor migrants out of New Zealand… [and] advised several other clients not to apply for New Zealand residency"* due to FIF impacts.

The language is significant in two respects. First, "reversed… out of New Zealand" describes active professional work to extract migrants who have already arrived—not merely a decision not to come, but a reversal of a commitment already made. Second, "advised several other clients not to apply" describes the chilling effect on the pipeline: the cliff is not merely losing existing residents but preventing future arrivals from entering the consideration set at all. Brandts-Giesen described FIF as "the most significant inhibitor" to globally mobile capital and talent.

> Source: Henry Brandts-Giesen, LinkedIn Pulse article, *Update on the Active Investor Plus Visa*. linkedin.com

D.5 The McMurchy Precedent

The aggregate pattern described by the advisory community has one publicly documented, named precedent: Lovina McMurchy, former General Partner of Movac—New Zealand's largest venture capital fund. McMurchy left New Zealand after exactly four years of residency, in a departure directly attributed to the FIF regime. The *NZ Herald* headline captured the significance: "Dreaded FIF Tax Forces Some of Our Best Immigrants to Quit NZ."

McMurchy's departure is significant not because it is the only instance of cliff-driven departure—the advisory community evidence in Section D.4 establishes that many such departures occur—but because it is public, named, and involves an individual whose professional contribution to New Zealand's venture capital ecosystem was both visible and valued. It demonstrates that the cliff does not merely lose anonymous capital: it loses people whose presence and expertise compound the economic benefit of their residency.

Part 1 of the main body introduces McMurchy as an emotional anchor for the cost of the current architecture. Part 2 returns to her briefly. She is not overused in subsequent Parts, consistent with the Writing Brief instruction, but her case remains the single most illustrative public instance of the pattern.

Source: *NZ Herald*, headline: "Dreaded FIF Tax Forces Some of Our Best Immigrants to Quit NZ."

D.6 Broader Professional Consensus

The Tier 1 sources in Sections D.2–D.5 are not outliers. The position that current tax settings deter high-net-worth migration and incentivise departure at the cliff is held universally across New Zealand's advisory community. The following table summarises supporting sources that reinforce the Tier 1 evidence without adding qualitatively new claims. Each has been reviewed and is consistent with the diagnosis in Part 2.

Source	Key Statement	URL
Terry Baucher, Baucher Consulting	*"I know of clients who have backed away from New Zealand because of the FIF rules."*	baucher.tax
MinterEllison Rudd Watts (March 2025)	*FIF issues are "a significant factor discouraging migrants from migrating to New Zealand and offshore Kiwis from returning."*	www.minterellison.co.nz
Russell McVeagh (January 2025)	*FIF rules "may currently operate as a disincentive for non-residents who hold material offshore equity portfolios from migrating."*	www.russellmcveagh.com
RSM New Zealand	*FIF rules "may discourage… moving to or staying in New Zealand."*	www.rsm.global
Pathways to New Zealand	*High-net-worth individuals may be "put-off" by current roadblocks once the 4-year transitional period expires.*	www.pathwaysnz.com
Edmund Hillary Fellowship (CEO Rosalie Nelson, July 2024)	*"It creates an insurmountable unfair burden for the most talented Kiwis to return… An obscure bit of taxation law is preventing the type of high contributing, investment-ready immigrants this country says it wants."*	www.ehf.org
Chartered Accountants ANZ	*FIF "dilemma" described as a key consideration for new migrants deciding whether to stay.*	www.charteredaccountantsanz.com

The unanimity of this professional consensus is itself evidence. No New Zealand advisory firm has published a view that the current post-transitional tax architecture is adequate to retain high-net-worth migrants, or that the cliff does not produce departures. The question in the advisory community is not whether the cliff is a problem, but only how severe it is and what form the solution should take.

D.7 Structural Evidence: AIP Visa Design

The Active Investor Plus (AIP) visa—launched in its current form on 1 April 2025—provides structural evidence that New Zealand's own immigration architecture was designed to avoid triggering the tax cliff. The Growth category requires only 21 days of physical presence in New Zealand over three years. DLA Piper confirmed the structural consequence:

> *"In most cases, these investors can obtain a visa without becoming a New Zealand tax resident."*

The significance of this design is straightforward. New Zealand tax residency is triggered at 183 days of physical presence in any 12-month period, or by establishing a permanent place of abode. The AIP Growth category's 21-day presence requirement falls so far below the 183-day threshold that it is structurally impossible for a Growth category investor to trigger tax residency through the visa's minimum presence requirement alone. The visa was designed to allow investors to hold New Zealand residency rights without entering the transitional residency clock and therefore without ever confronting the cliff.

This conclusion is reinforced by Treasury. OIA release OIA-20250655 (30 October 2025) explicitly states: "Additionally, not all resident visa holders will be New Zealand tax residents." Treasury's reference is to AIP holders specifically, and the qualifier "not all" is diplomatic: the structural design of the AIP Growth category makes it likely that the majority of visa holders are not New Zealand tax residents, because the rational advisory response to the cliff is to remain below the 183-day threshold.

For TRE purposes, this evidence supports the central conversion argument in Part 6 of the main body: the AIP pipeline (573 applications, 1,833 applicants, NZD 3.39 billion in potential investment as at 11 February 2026) is a backup-plan pipeline, not a settlement pipeline. It represents demand for New Zealand optionality, not demand for New Zealand tax residency. TRE is the conversion mechanism that makes the final commitment—tax residency, permanent settlement, and Crown revenue—the rational choice.

Source: DLA Piper, *Active Investor Plus Visa Explained*, December 2025. dlapiper.com

Source: Treasury, OIA-20250655, 30 October 2025. treasury.govt.nz [PDF]

D.8 International Comparison Context

The cliff evidence presented in this annex is not unique to New Zealand. Comparable international experience confirms that hard time-limited tax concessions produce predictable departure behaviour at scale. Two comparators are directly relevant.

Australia: indefinite temporary resident exemption.

Australia's temporary resident exemption from foreign-sourced income tax is not time-limited. A temporary resident may hold the exemption indefinitely, provided they do not apply for permanent residency or satisfy the domicile test. This gives Australia a structural advantage over New Zealand in retaining high-net-worth migrants long-term: there is no cliff, and therefore no cliff-driven departure. The contrast illuminates New Zealand's problem. As Interest.co.nz (Terry Baucher) observed, the Australian exemption is "more or less indefinite, unlike [New Zealand's] which is generally only available for 48 months."

United Kingdom: the four-year FIG system and its consequences.

The UK replaced its indefinite non-domicile regime with a four-year Foreign Income and Gains (FIG) system effective April 2025. The FIG is structurally identical to New Zealand's transitional residency cliff: a fixed-term exemption from tax on foreign-sourced income, followed by full worldwide taxation. The result, documented in the main body (Part 5, Section 5.7), was the departure of 16,500 millionaires from the UK in 2025—the largest single-year millionaire outflow ever recorded for any country. The UK experience provides a natural experiment at a scale New Zealand cannot replicate, but the mechanism is identical: a hard cliff produces departures.

The OECD's June 2024 report, *Why Do OECD Countries Offer Tax Relief Programmes to Attract Foreign Migrants and Returning Nationals?*, catalogued New Zealand's transitional residency alongside Portugal's Non-Habitual Resident regime as competitive HNW tax incentive programmes, noting that their effect on migration flows "remains to be quantified." TRE proposes the mechanism by which New Zealand can move from the category of "remains to be quantified" to the category of "demonstrated results."

Source: OECD, *Why Do OECD Countries Offer Tax Relief Programmes?*, June 2024. oecd.org [PDF]

D.9 Evidentiary Limitations

Intellectual honesty requires stating what the evidence in this annex does and does not establish. Officials evaluating this proposal are entitled to know the boundary of the evidence base.

Established beyond reasonable doubt (qualitatively):

The four-year cliff is salient to every advisory firm operating in the high-net-worth migration space in New Zealand. FIF exposure at the cliff creates liquidity and double-taxation mismatches that are especially severe for illiquid pre-migration equity (unlisted company shareholdings, venture capital positions, offshore fund interests). Multiple professional firms with direct client exposure confirm that HNW migrants choose to leave New Zealand at or before the cliff. The New Zealand Government has explicitly acknowledged the deterrent effect—through the Revenue Minister, through IRD's consultation paper, and through the legislative response of the RAM bill and exit tax provisions. The advisory community consensus is unanimous: no credible dissenting voice has been published.

Not established:

No published IRD statistics exist on transitional resident departure rates. IRD does not track the number of transitional tax residents who depart New Zealand at or before month 49, nor does it publish data linking transitional residency expiry to changes in tax residency status. No peer-reviewed study has isolated the causal effect of the cliff on departure behaviour specifically, although the academic literature on tax elasticity of mobile high-income individuals (Annex I) provides strong theoretical support. The magnitude of the cliff's effect is unquantified: the evidence establishes that the cliff deters and drives departures, but whether it affects dozens, hundreds, or thousands of individuals per year cannot be determined from available data.

The argument for action does not depend on quantifying the magnitude precisely. The qualitative weight of the evidence—government acknowledgment, legislative response, unanimous professional consensus, and structural design confirmation—is sufficient to establish the problem beyond any reasonable policy doubt. The relevant policy question is not "does the cliff cause departures?" (it demonstrably does) but "what is the cost of the departed capital and talent that New Zealand has already lost, and what is the cost of the capital and talent it will continue to lose under current settings?" TRE is the answer to the second question.

D.10 Cross-Reference: Academic Tax Elasticity Literature (Annex I)

The NZ-specific evidence compiled in this annex is consistent with, and supported by, the peer-reviewed academic literature on the tax elasticity of mobile high-income individuals. Four papers are presented in full in Annex I: Schmidheiny & Slotwinski (*Journal of Public Economics*, 2018), directly relevant to cliff- and threshold-driven departure behaviour; Baselgia & Martínez (*Economic Journal*, 2025), demonstrating that Swiss cantons repealing expenditure-based taxation saw super-rich foreigner populations decline by approximately 43%; Kleven, Landais & Saez (*American Economic Review*, 2013), estimating migration elasticity of approximately 1.0 for foreign professional workers in Europe; and one further paper to be confirmed.

The academic evidence and the NZ practitioner evidence are mutually reinforcing. The academic literature establishes that high-income individuals are highly responsive to tax regime differences as a general empirical proposition. The NZ evidence in this annex demonstrates that this general proposition operates precisely as predicted in the specific context of New Zealand's four-year cliff. Together, they provide the evidentiary foundation on which Part 2 of the main body builds its diagnosis.

[End of Annex D]

ANNEX E: Qualifying Growth Investment: Formula and Mechanics

E.1 Purpose and Scope

The Qualifying Growth Investment (**QGI**) incentive converts the TRE Annual Contribution from a fixed annual obligation into a variable one. A Participating Individual who deploys capital into New Zealand's productive economy in prescribed qualifying asset categories may reduce their Annual Contribution—potentially to zero—in proportion to the capital committed.

This annex sets out the complete QGI mechanics for legislative drafting and administrative implementation. It specifies the reduction formula, the phase-in schedule for the Applicable Zero-Fee Level, the qualifying asset categories in full, the valuation basis for each category, the measurement and annual determination rules, and the interaction between the QGI reduction and other TRE mechanisms (grandfathering, WMAC Credits, and the ordering of operations). All parameter values, formulae, and defined terms are consistent with the TRE Terms Sheet (Annex A) and are to be read with the definitions established there.

Cross-references. The QGI incentive interacts with several other TRE components. The Qualifying Investment requirement (the minimum capital deployment condition for TRE election, distinct from the QGI incentive) is specified in Annex A, sections A.12.1–A.12.4. The Wealth Migration Ambassador Credit (WMAC) mechanics, including the ordering of operations between QGI reductions and WMAC Credits, are in Annex A, section A.15, and in Annex J. The Qualifying Offshore Capital / NZ-Origin Capital distinction is in Annex A, section A.13, and in Annex C.

E.2 Defined Terms and Interpretive Conventions

All capitalised terms in this annex bear the meanings assigned in Annex A, section A.1, unless otherwise indicated. The following terms are of particular relevance to the QGI mechanics.

Term	Definition
Applicable Zero-Fee Level (AZFL)	The total post-AIP qualifying investment threshold at which a Participating Individual's Annual Contribution is reduced to zero. Set at each Repricing Event: NZD 25,000,000 at launch; NZD 50,000,000 after the first Repricing Event; NZD 100,000,000 after the second. Grandfathered at the level in effect at the Participating Individual's Election Date for the full 16-year Elective Period. [A.1]
Qualifying Investment Basis (QIB)	The aggregate original capital deployed by a Participating Individual in prescribed qualifying asset categories, calculated on an investment-basis (cost) methodology, net of disposals at original basis. The QIB is the numerator in the QGI reduction formula. [A.14.1]
Qualifying Growth Investment (QGI)	An investment in qualifying New Zealand productive assets made by a Participating Individual after the date of their AIP visa grant (where applicable) or after commencement of NZ tax residency (where no AIP visa was held), meeting the category requirements of section A.14 and this annex. [A.1]

Total TRE Obligation (TTRO)	For a given Contribution Year, the sum of the Principal Contribution and all Dependent Contributions payable at grandfathered rates, before application of any QGI reduction or WMAC Credit. [A.1]
Measurement Date	The last day of the income year immediately preceding the relevant Contribution Year. The QIB is determined as at this date. [A.14.5]

Interpretive convention. All monetary amounts in this annex are denominated in New Zealand dollars (NZD) unless otherwise stated. Where Cohort 2 and Cohort 3 contribution rates are referenced, these are indicative parameters for revenue modelling purposes and do not represent confirmed policy; confirmed figures are launch rates only.

E.3 The QGI Reduction Formula

The QGI reduction is a current-year determination, recalculated for each Contribution Year based on the Participating Individual's Qualifying Investment Basis as at the Measurement Date. The calculation proceeds in four steps.

Step 1 — Determine the Qualifying Investment Basis

Calculate the Participating Individual's total post-AIP qualifying investment basis in prescribed qualifying asset categories (see section E.7 below) as at the Measurement Date for the relevant Contribution Year. The basis is original capital deployed, not current market value (see section E.6 below). AIP-related investment is excluded from the QIB in all circumstances.

Step 2 — Express QIB as a Percentage of AZFL

Divide the QIB by the Participating Individual's grandfathered Applicable Zero-Fee Level. Express the result as a percentage, **rounded down to the nearest whole 10%**. Intermediate values between 10% thresholds produce no incremental reduction; the rounding-down convention ensures the incentive operates in discrete steps.

Step 3 — Apply the Reduction Percentage to the Total TRE Obligation

Multiply the Step 2 percentage by the Total TRE Obligation (Principal Contribution plus all Dependent Contributions at grandfathered rates). The result is the QGI Reduction for the Contribution Year. Subtract the QGI Reduction from the TTRO to produce the post-QGI obligation. **The post-QGI obligation cannot be less than zero.** Where the QIB exceeds the AZFL, the excess produces no further reduction and does not carry forward—QGI reduction is a current-year benefit only.

Step 4 — Apply WMAC Credits

WMAC Credits are applied against the post-QGI obligation at the Ambassador's election, reducing the Annual Contribution payable. The Annual Contribution cannot be reduced below zero at any step. WMAC Credits not needed in a given Contribution Year because the QGI reduction has already reduced the obligation to zero carry forward indefinitely and remain available for application in future Contribution Years. This carry-forward rule is distinct from the QGI excess rule: excess QGI reduction is lost, but unused WMAC Credits are preserved.

Formula — Algebraic Expression

```
QGI Reduction   =  floor( QIB ÷ AZFL, 10% )  ×  TTRO
Post-QGI Obligation  =  TTRO  –  QGI Reduction
Annual Contribution  =  Post-QGI Obligation  –  WMAC Credits Applied
```

Where: **QIB** = Qualifying Investment Basis; **AZFL** = Applicable Zero-Fee Level (grandfathered at Election Date); **TTRO** = Total TRE Obligation (Principal + all Dependent Contributions at grandfathered rates); **floor(x, 10%)** = x rounded down to the nearest whole 10%.

E.4 Phase-In Schedule: Applicable Zero-Fee Level by Cohort

The Applicable Zero-Fee Level escalates at each Repricing Event. Each Participating Individual's AZFL is grandfathered at the level in effect at their Election Date for the full 16-year Elective Period. A Cohort 1 participant retains the NZD 25,000,000 zero-fee threshold regardless of subsequent repricing.

Table E.1 — AZFL Phase-In Schedule

Programme Stage	AZFL (NZD)	10% Increment (NZD)	Principal Contribution (NZD)	QI Threshold
Launch (Cohort 1)	25,000,000	2,500,000	600,000	Nil
After 1st Repricing (Cohort 2)	50,000,000	5,000,000	TBD (indicative)	5,000,000
After 2nd Repricing (Cohort 3)	100,000,000	10,000,000	TBD (indicative)	10,000,000

Cohort 2 and Cohort 3 contribution rates are indicative for modelling purposes. Confirmed parameters are launch rates only. Repricing timing is a policy decision for the Minister of Revenue, with a minimum notice period of not less than six months before each increase.

E.5 Worked Examples

The following tables illustrate the QGI reduction at representative investment levels for each cohort and household configuration. All reductions are calculated using the formula in section E.3.

Example 1 — Cohort 1, single participant (AZFL = NZD 25,000,000; TTRO = NZD 600,000)

QIB (NZD)	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
0	0%	0%	0	600,000
2,500,000	10%	10%	60,000	540,000
5,000,000	20%	20%	120,000	480,000
10,000,000	40%	40%	240,000	360,000
12,000,000	48%	40%	240,000	360,000
12,500,000	50%	50%	300,000	300,000
20,000,000	80%	80%	480,000	120,000
25,000,000	100%	100%	600,000	0

Note: The NZD 12,000,000 row illustrates the rounding-down effect. A QIB of NZD 12,000,000 represents 48% of the AZFL, which floors to 40%. The next reduction threshold is not reached until the QIB equals or exceeds NZD 12,500,000 (50% of NZD 25,000,000).

Example 2 — Cohort 1, family of four (AZFL = NZD 25,000,000; TTRO = NZD 900,000)

QIB (NZD)	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
0	0%	0%	0	900,000
2,500,000	10%	10%	90,000	810,000
12,500,000	50%	50%	450,000	450,000
25,000,000	100%	100%	900,000	0

Key confirmation: The QGI reduction applies to the Total TRE Obligation—Principal Contribution plus all Dependent Contributions combined. The Applicable Zero-Fee Level does not change based on family size. NZD 25,000,000 of qualifying investment eliminates the entire family's Annual Contribution for a Cohort 1 participant.

Example 3 — Cohort 2, single participant (AZFL = NZD 50,000,000; TTRO = NZD 800,000, indicative)

QIB (NZD)	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
0	0%	0%	0	800,000
5,000,000	10%	10%	80,000	720,000
25,000,000	50%	50%	400,000	400,000
50,000,000	100%	100%	800,000	0

Example 4 — Cohort 3, single participant (AZFL = NZD 100,000,000; TTRO = NZD 1,000,000, indicative)

QIB (NZD)	QIB ÷ AZFL	Floor to 10%	QGI Reduction (NZD)	Annual Contribution (NZD)
0	0%	0%	0	1,000,000
10,000,000	10%	10%	100,000	900,000
50,000,000	50%	50%	500,000	500,000
100,000,000	100%	100%	1,000,000	0

E.6 The Investment Basis Principle

The Qualifying Investment Basis is **original capital deployed, not current market value**. This principle applies uniformly across all three qualifying asset categories and is fundamental to the design of the QGI incentive. Four sub-rules give effect to the principle.

Sub-Rule 1 — Appreciation Does Not Increase Basis

A Participating Individual who invests NZD 10,000,000 in a qualifying asset that subsequently appreciates to NZD 15,000,000 has a Qualifying Investment Basis of NZD 10,000,000. The market gain is the participant's own economic outcome; it does not increase the QGI credit for the capital committed. This rule applies equally to all three qualifying asset categories, including units in AIP-approved growth funds whose NAV may fluctuate above the original subscription cost.

Sub-Rule 2 — Depreciation Does Not Decrease Basis

A Participating Individual whose NZD 10,000,000 qualifying investment declines to NZD 7,000,000 in market value retains a Qualifying Investment Basis of NZD 10,000,000. The participant is credited for the capital they committed, regardless of investment performance. Basis is reduced only upon disposal of the qualifying asset (see Sub-Rule 3). This ensures that participants who remain committed to their qualifying investments through market downturns are not penalised by a reduction in their QGI credit.

Sub-Rule 3 — Disposal Reduces Basis at Original Cost

When a qualifying asset is disposed of, the original basis of the disposed asset—not the sale proceeds—is removed from the Qualifying Investment Basis. For example: a Participating Individual who invested NZD 10,000,000 in Asset A and NZD 10,000,000 in Asset B (total QIB of NZD 20,000,000) and subsequently sells Asset A for NZD 15,000,000 has a Qualifying Investment Basis of NZD 10,000,000 after the disposal. The NZD 5,000,000 gain on sale is irrelevant to the QGI calculation; the original NZD 10,000,000 basis of Asset A is removed regardless of the proceeds realised.

Sub-Rule 4 — The Incentive Rewards Commitment, Not Performance

The QGI incentive is designed to encourage Participating Individuals to deploy and hold capital in New Zealand's productive economy. It rewards the decision to commit capital and the ongoing maintenance of that commitment. It is not a mark-to-market mechanism. Investment gains and losses are the participant's own economic outcome and do not affect the QGI credit for the capital committed.

Illustrative Application

Table E.2 — Investment Basis: Illustrative Scenarios (NZD 10,000,000 initial investment, Cohort 1)

Scenario	Market Value	QIB	QIB ÷ AZFL	QGI Reduction
At investment	10,000,000	10,000,000	40%	40% of TTRO
Fund appreciates 50%	15,000,000	10,000,000	40%	40% of TTRO
Fund declines 30%	7,000,000	10,000,000	40%	40% of TTRO
Partial disposal (50%)	N/A	5,000,000	20%	20% of TTRO
Full disposal	N/A	0	0%	Nil

E.7 Qualifying Asset Categories: Full Definitions

There are three qualifying asset categories. These are identical to the categories prescribed for the Qualifying Investment requirement (Annex A, section A.12.3) but applied on an **investment basis above and beyond any AIP-related investment**. AIP-related investment does not count toward the Qualifying Investment Basis for QGI purposes in any category or in any circumstance.

Category 1 — AIP-Approved Growth Funds

Investment in growth funds approved under the Active Investor Plus programme by Immigration New Zealand. This category encompasses all managed fund vehicles satisfying AIP approval criteria, including venture capital funds, private equity funds, growth-focused managed funds, and other pooled investment vehicles. These sub-categories are subsumed within the single AIP-approved growth fund umbrella and must not be identified as distinct qualifying categories in any official description or legislative schedule.

Eligibility confirmation. Inland Revenue may rely on current AIP approval as confirmation of qualifying status, subject to the approval being current at the time the investment is made. If an AIP-approved fund subsequently loses its approval, investments made while the approval was in force retain their qualifying status for QGI purposes; investments made after the loss of approval do not qualify.

What constitutes the investment. The qualifying investment is the Participating Individual's subscription for units in the approved fund (or the economic equivalent in partnership or other structures), above and beyond any subscription made in connection with an AIP visa obligation. Where a Participating Individual holds both AIP-mandated and additional (post-AIP) investments in the same fund, the QIB includes only the post-AIP portion. Fund records and subscription agreements are the primary evidence for distinguishing the two.

Category 2 — Direct Equity in Operating New Zealand Businesses

Direct equity in businesses operating in New Zealand, employing New Zealand workers, and deriving a material proportion of revenue from New Zealand operations. The legislative definition must require satisfaction of all of the following conditions:

Condition	Requirement
(a) Incorporation	Incorporated or registered in New Zealand under the Companies Act 1993 or equivalent.
(b) Place of business	Principal place of business in New Zealand.
(c) Employment	Not fewer than a prescribed minimum number of full-time equivalent employees in New Zealand (minimum to be set by regulation).
(d) Revenue	Not less than a prescribed proportion of gross revenue derived from New Zealand-based operations (proportion to be set by regulation).

Exclusions. Equity in NZX-listed companies does not qualify. New Zealand government bonds and other NZ fixed-income instruments do not qualify. The exclusion of listed equity is a deliberate design feature: the QGI incentive targets capital that creates direct employment and economic activity in New Zealand, not portfolio investment in publicly traded securities that can be acquired and disposed of without any engagement with the underlying business.

Category 3 — Residential Real Property for Personal Use

Residential real property situated in New Zealand, held for the personal use of the Participating Individual and their Eligible Dependents, with a qualifying investment basis of not less than NZD 5,000,000 per property.

Per-property minimum. The NZD 5,000,000 per-property floor is an independently adjustable parameter and is not linked to the overall Qualifying Investment threshold or the Applicable Zero-Fee Level. When the overall QI threshold increases from NZD 5,000,000 to NZD 10,000,000 at the second Repricing Event, the per-property minimum remains at NZD 5,000,000. A participant satisfying the NZD 10,000,000 QI threshold through Category 3 alone would do so by holding two or more qualifying New Zealand properties each with a qualifying investment basis above NZD 5,000,000, not by holding a single property above NZD 10,000,000.

Personal use requirement. The property must be held for the personal use of the Participating Individual and their Eligible Dependents. Investment properties held for rental income do not qualify under Category 3. This restriction reflects the category's design purpose: to ensure the Qualifying Investment requirement is accessible to participants who have already purchased a family home of sufficient value, rather than to create a general real property investment incentive.

New construction and existing stock. At first introduction, any residential property above NZD 5,000,000 in qualifying investment basis qualifies, whether existing stock or newly constructed. The government retains legislative flexibility to adjust Category 3 parameters prospectively (see section E.14 below).

E.8 Valuation Basis by Category

The investment basis principle (section E.6) applies uniformly across all three qualifying asset categories. The specific valuation methodology for each category is as follows.

Table E.3 — Valuation Basis by Qualifying Asset Category

Category	Valuation Basis	Evidence
Category 1: AIP-Approved Growth Funds	Original subscription cost (total capital subscribed to fund units, net of any redemptions at original subscription cost per unit redeemed).	Fund subscription agreement; unit register entry; bank records confirming capital transferred; redemption records where applicable.
Category 2: Direct Equity	Original cost of equity acquired (subscription price or purchase price for shares), net of any shares disposed at original cost basis.	Share register entry or shareholder certificate; subscription or sale and purchase agreement; company register confirming NZ incorporation; bank records.
Category 3: Residential Real Property	Purchase price as recorded in the sale and purchase agreement and confirmed by the certificate of title transaction record. Where the property was constructed (not purchased) and the total cost of construction cannot be precisely determined from contract records, a registered valuation dated within 24 months of the Measurement Date may be substituted.	Current registered title; sale and purchase agreement; certificate of title transaction record; for constructions: building contract(s) and/or registered valuation.

Note to Policymakers — Category 1 Valuation Basis

The investment-basis methodology prescribed above for Category 1 (original subscription cost) is the approach that maintains full consistency with the governing principle across all three qualifying asset categories: the QGI incentive rewards commitment of capital, not mark-to-market performance.

Officials should be aware, however, that AIP-approved growth funds already report Net Asset Value (NAV) per unit to unitholders and to Immigration New Zealand as part of the AIP reporting infrastructure. Adopting original subscription cost as the QGI valuation basis for Category 1 will require Inland Revenue to track a data point (aggregate original subscription cost, net of redemptions) that may not be routinely captured in current AIP fund reporting systems.

If the additional recordkeeping requirement would materially complicate Inland Revenue's adoption or administration of the QGI incentive, a NAV-based valuation for Category 1 would be an acceptable alternative. Under a NAV approach, the Qualifying Investment Basis for Category 1 would be the aggregate NAV of the Participating Individual's post-AIP units as published by the fund manager at the Measurement Date. This would align with existing fund reporting infrastructure and reduce the administrative burden on both Inland Revenue and fund managers.

The trade-off is that a NAV basis introduces mark-to-market variability into the QGI calculation for Category 1 only: a participant whose fund appreciates would receive a larger QGI reduction than one whose fund declines, even where both committed the same capital. This is inconsistent with the incentive's design philosophy, and original subscription cost remains the recommended approach. But the integrity of the TRE programme as a whole does not depend on this parameter, and administrative practicality is a legitimate consideration in the final design.

E.9 AIP Investment Exclusion

Investment made in connection with an Active Investor Plus visa obligation **does not count toward the Qualifying Investment Basis for QGI purposes**. This exclusion applies in all circumstances and across all three qualifying asset categories. The AIP investment and the QGI investment are parallel obligations, not cumulative.

Where a Participating Individual holds both AIP-mandated and additional investments in the same fund or entity, only the portion above and beyond the AIP obligation contributes to the QIB. The participant bears the burden of demonstrating the distinction by reference to subscription agreements, timing of capital contributions, and AIP compliance records.

For Participating Individuals who entered New Zealand under a visa category other than AIP (including Australian citizens and permanent residents exercising Trans-Tasman rights, Singaporean permanent residents, and any other person qualifying as a transitional tax resident without an AIP visa), the AIP exclusion does not apply—because there is no AIP investment to exclude. The QI threshold and QGI calculation apply to their total New Zealand investment position without deduction.

E.10 Measurement Date and Annual Determination

The QGI reduction is a **current-year determination**, recalculated for each Contribution Year. The Qualifying Investment Basis is determined as at the **Measurement Date**: the last day of the income year immediately preceding the relevant Contribution Year.

Rationale for the Measurement Date

Setting the Measurement Date at the end of the preceding income year serves an anti-gaming function. A participant cannot deploy capital immediately before the Measurement Date and withdraw it immediately after, because any disposal that occurs between one Measurement Date and the next removes the original basis of the disposed asset from the QIB at the next Measurement Date, regardless of when in the year the disposal occurred. The QGI reduction for a Contribution Year is determined by the investment position at a fixed historical point, not by the position at the date of the Annual Contribution return.

Practical Application

For a Contribution Year commencing on 1 April (consistent with the New Zealand standard tax year), the Measurement Date would be 31 March of the same calendar year—the last day of the immediately preceding income year. The participant's QIB as at that date determines the QGI reduction for the following Contribution Year. Any investments made or disposals occurring after the Measurement Date affect only the following year's calculation.

E.11 Disposal and Reinvestment Rules

Disposal

When a Participating Individual disposes of a qualifying asset, the original basis of that asset—not the sale proceeds—is removed from the Qualifying Investment Basis at the next Measurement Date. The disposal affects only the Contribution Year for which the next Measurement Date applies; it does not trigger a clawback of QGI reductions already applied in prior Contribution Years on the basis of the now-disposed asset.

No clawback. This is a deliberate design feature. A participant who held NZD 25,000,000 of qualifying investments for five Contribution Years and received a 100% QGI reduction in each of those years, and who then disposes of all qualifying assets, has a QIB of zero at the next Measurement Date and receives no QGI reduction in the following Contribution Year. The five prior years' reductions stand. The QGI incentive rewards the years during which capital was committed; it does not retrospectively recapture reductions upon subsequent disposal.

Reinvestment

Where a Participating Individual disposes of one qualifying asset and reinvests the proceeds (or other capital) in another qualifying asset, the new investment is added to the QIB at its original cost from the date of reinvestment. The disposal of the first asset and the acquisition of the second are independently reflected at the next Measurement Date: the original basis of the disposed asset is removed and the original cost of the new asset is added.

There is no continuity-of-basis rule: the new investment is valued at its own original cost, not at the basis of the asset it replaced. If a participant sells a qualifying property acquired for NZD 6,000,000 and uses the NZD 9,000,000 proceeds to purchase a new qualifying property, the QIB reflects: a removal of NZD 6,000,000 (the basis of the disposed property) and an addition of NZD 9,000,000 (the purchase price of the new property), for a net increase in QIB of NZD 3,000,000.

E.12 Interaction with Grandfathering

The QGI reduction is calculated against two grandfathered parameters: the Applicable Zero-Fee Level and the Total TRE Obligation (which is itself a function of the grandfathered Principal Contribution rate and Dependent Contribution rate). Both parameters are fixed at the levels in effect at the Participating Individual's Election Date and remain constant for the full 16-year Elective Period, regardless of subsequent Repricing Events.

Practical Consequence

A Cohort 1 participant (AZFL = NZD 25,000,000, Principal Contribution = NZD 600,000) continues to calculate their QGI reduction against these parameters for all 16 Contribution Years, even if the programme has moved to Cohort 3 parameters (AZFL = NZD 100,000,000, Principal Contribution = NZD 1,000,000+) for new entrants. This means Cohort 1 participants reach zero Annual Contribution at a substantially lower investment level (NZD 25,000,000) than later cohorts, reflecting the early-mover incentive that is fundamental to the escalation-with-grandfathering model.

What Is Not Grandfathered

The quantum of qualifying investment held is a current-year determination, not a grandfathered parameter. If a Participating Individual disposes of qualifying investments, their QGI reduction decreases accordingly at the next Measurement Date. Grandfathering protects the formula parameters (AZFL, contribution rates); it does not protect any particular QGI reduction level if the underlying investment position changes.

E.13 Interaction with WMAC Credits: Ordering of Operations

The confirmed ordering of operations for the Annual Contribution calculation in every Contribution Year is as follows.

Step	Operation	Notes
1	Calculate Total TRE Obligation (Principal Contribution + all Dependent Contributions at grandfathered rates).	Before any reductions.
2	Apply QGI Reduction (floor at zero; excess QGI lost and does not carry forward).	Current-year benefit only.
3	Apply WMAC Credits at Ambassador's election against post-QGI obligation (floor at zero; unused credits carry forward indefinitely).	No FIFO; any amount up to accumulated balance; Ambassador has complete discretion.

US Track Additional Steps

For US Track participants, the US Track calculation sequence (calculate Uncapped NZ Tax Liability under standard NZ rules, then apply cap) precedes Steps 1–3 above. The cap is applied against the Total TRE Obligation, not the Principal Contribution alone. The capped liability becomes the starting point for Steps 2 and 3 (QGI reduction and WMAC Credit application). In years where the Uncapped NZ Tax Liability falls below the cap, the US Track participant pays less than the equivalent Global Track participant, and the full TTRO is not the relevant starting figure—the lower Uncapped NZ Tax Liability is.

WMAC Credit Carry-Forward When QGI Reduces Obligation to Zero

Where a Participating Individual's QGI reduction in a given Contribution Year is sufficient to reduce the post-QGI obligation to zero before any WMAC Credits are applied, the WMAC Credits that would otherwise have been applied in that year are not lost. They carry forward automatically and indefinitely to future Contribution Years, consistent with the general WMAC carry-forward rule. This is distinct from QGI excess: if the QGI reduction mathematically exceeds the TTRO, the excess QGI reduction is lost and does not carry forward. But WMAC Credits are a separate balance—they are preserved regardless of whether they were needed in any given year.

Nil-Payment Years

A nil-payment year (Annual Contribution reduced to zero after all reductions) does not affect the Rising Cumulative Minimum days of presence obligation, the grandfathered rate, or any other term of the Participating Individual's election. The participant remains a Participating Individual in full standing and all TRE obligations and entitlements continue to apply.

E.14 Government Flexibility: Prospective Adjustment of QGI Parameters

The government retains full legislative flexibility to adjust QGI parameters prospectively, without affecting the grandfathered position of existing Participating Individuals. Available adjustment levers include the following.

Applicable Zero-Fee Level

The AZFL escalation at each Repricing Event (NZD 25,000,000 → NZD 50,000,000 → NZD 100,000,000) is the confirmed design trajectory. Each increase applies only to new entrants who elect after the Repricing Event. Existing participants retain their grandfathered AZFL for the full Elective Period.

Qualifying Asset Categories

The three qualifying categories may be adjusted prospectively. The government may add new qualifying categories; remove existing categories (including removing Category 3 entirely); or modify the eligibility criteria within a category. All such adjustments are prospective only—they do not affect the qualifying status of investments made by participants who elected under less restrictive category definitions.

Category 3 Specific Levers

Category 3 (residential real property) is included by deliberate design to ensure the QI requirement is accessible to participants who have already purchased a family home. The government retains three specific adjustment options, each independently exercisable:

Option	Description
(a)	Introduce a new-construction requirement, limiting Category 3 to newly built properties only. This ensures direct construction employment benefit and may be appropriate once initial programme uptake data is available.
(b)	Increase the per-property minimum value (e.g., from NZD 5,000,000 to NZD 10,000,000). This is independently adjustable from the aggregate QI threshold.
(c)	Remove Category 3 entirely as a qualifying category for new entrants. This would confine the QGI incentive to productive economy investment only (Categories 1 and 2).

Each of these adjustments is a policy lever that can be calibrated against observed uptake data—specifically, what proportion of participants are choosing real property versus other qualifying asset categories, and what proportion of real property investments are new constructions versus existing stock. Legislative drafting should preserve each of these options as independently exercisable.

E.15 Evidence and Compliance

A Participating Individual claiming a QGI reduction must provide evidence to Inland Revenue demonstrating that their Qualifying Investment Basis meets or exceeds the threshold for the claimed reduction level as at the Measurement Date. The following evidentiary requirements apply.

Table E.4 — Evidentiary Requirements by Category

Category	Required Evidence	Notes
Category 1: AIP-Approved Growth Funds	Current INZ confirmation of fund approval; subscription agreement or unit register entry; bank records confirming capital subscribed; redemption records (where applicable).	Must distinguish AIP-mandated investment from additional (QGI-qualifying) investment where both are held in the same fund.

Category 2: Direct Equity	Share register entry or shareholder certificate; subscription or sale and purchase agreement; company register confirming NZ incorporation; recent financial statements confirming NZ operations and employment; bank records.	Financial statements must demonstrate ongoing satisfaction of the NZ operations, employment, and revenue conditions prescribed for Category 2.
Category 3: Residential Real Property	Current registered title; sale and purchase agreement; certificate of title transaction record confirming purchase price; for constructions: building contract(s) and/or registered valuation (within 24 months of Measurement Date).	Confirmation of personal use required. Investment properties held for rental income do not qualify.

Aggregate evidence. Where a Participating Individual's Qualifying Investment Basis is spread across multiple categories or investments, the participant must provide aggregate evidence demonstrating that the total QIB meets or exceeds the threshold for the claimed reduction level. Inland Revenue may prescribe supplementary evidence requirements by regulation.

Annual disclosure. The QGI reduction claim forms part of the Participating Individual's Annual Contribution declaration for each Contribution Year. Inland Revenue should develop a prescribed QGI disclosure schedule, requiring the participant to identify: each qualifying investment by category; the original cost basis of each; any disposals since the prior Measurement Date and the original basis of each disposed asset; and the resulting total QIB. The format should be designed to facilitate verification against fund records, company registers, and property transaction records without requiring Inland Revenue to conduct independent valuations.

End of Annex E

ANNEX F: Revenue Projections: Methodology and Assumptions

F.1 Purpose and Scope

This annex sets out the methodology, data sources, and assumptions underlying the revenue scenarios presented in the Ministerial Brief and the main body of this proposal. Its purpose is to provide Treasury and Inland Revenue officials with the full analytical basis for assessing TRE's fiscal impact, and to do so with sufficient transparency that the assumptions can be tested, adjusted, and refined during a formal design phase.

Five revenue scenarios are presented, ranging from a deliberately conservative base case to a mature-programme projection benchmarked against Switzerland's established forfait fiscal regime. Each scenario rests on stated assumptions about participant uptake, household composition, and contribution rates. None is presented as a forecast. All are scenario-based illustrations of the fiscal opportunity under explicitly stated conditions. The appropriate use of these projections is to inform a policy decision about whether the opportunity warrants detailed design work—not to commit the Crown to a specific revenue expectation.

The annex also presents the counterfactual baseline—the revenue currently generated by the FIF regime from the cohort TRE is designed to attract—and the international benchmarks from which TRE's growth trajectory is derived. It concludes with a sensitivity analysis testing the key variables and a candid statement of the model's limitations.

F.2 Counterfactual Baseline: The Status Quo Revenue Position

The relevant comparator for TRE revenue is not the total income tax collected by the Crown. It is the revenue currently generated by the FIF regime from the specific cohort of high-net-worth transitional and post-transitional residents whom TRE is designed to retain and attract. Two data points, confirmed by IRD Official Information Act release, establish this baseline:

Fiscal Year	FIF Revenue (NZD)	Source
FY2022–23	$53.3 million	IRD OIA
FY2023–24	$174.5 million	IRD OIA
Two-year average	**$113.9 million**	—

Treatment of the year-on-year increase. The 227% increase from FY2022–23 to FY2023–24 must not be read as evidence of a positive revenue trend. The spike reflects the circumstance that a small cohort of post-transitional residents—those who remained in New Zealand beyond the expiry of their four-year transitional tax concession, often against explicit professional advice—became liable for FIF tax on their full offshore portfolio for the first time. It does not evidence growing programme uptake or a sustainable revenue trajectory. The advisory community evidence documented in Part 2 of the main body and Annex D establishes that the rational and overwhelmingly observed response to FIF exposure is departure, not payment. The two-year average of NZD 113.9 million is used throughout this annex as the status quo benchmark, and the year-on-year spike is excluded from any trend analysis.

No deeper historical FIF series exists. IRD does not publish FIF as a standalone revenue line item prior to FY2022–23. Further disaggregation—such as the proportion attributable to transitional residents versus long-term residents, or to portfolio investors versus operating business interests—is not available. The two confirmed data points represent the entirety of the published evidence base.

The structural point is this: the entire FIF revenue from the high-net-worth cohort is at risk. Every household that departs at month 49 reduces the FIF revenue base permanently. TRE does not compete with FIF revenue—it replaces a declining base with a growing one.

F.3 International Benchmarks: Italy and Switzerland

Two international regimes serve as calibration references for TRE revenue modelling. Italy's flat-tax regime (Article 24-bis, TUIR) provides the growth trajectory template. Switzerland's forfait fiscal provides the mature-programme reference point.

F.3.1 Italy: The Growth Trajectory Template

Italy's imposta sostitutiva is the closest structural analogue to TRE's Global Track. Introduced in 2017 at EUR 100,000 per annum, it offers a flat annual payment in lieu of Italian tax on all foreign-sourced income, with no per-source disclosure requirement. The regime has been repriced twice—to EUR 200,000 in August 2024, and to EUR 300,000 in January 2026—with full grandfathering at each step. The following table records confirmed participant counts and estimated revenue:

Tax Year	Participants	Revenue (approx.)	Year-on-Year Growth
2018	226	€21 million	— (first full year)
2019	363	€35 million	+60.6%
2020	400+	€43.9 million	+10.2%
2021	690	€64 million	+72.5%
2022	957	€90 million	+38.7%
2023	1,242	€117.7 million	+29.8%
2024	Not yet published	€119 million (est.)	+1.1% (est.)
August 2024: Rate raised from €100,000 to €200,000 for new entrants. All existing participants grandfathered at €100,000.			
January 2026: Rate raised from €200,000 to €300,000 for new entrants. All prior entrants grandfathered at their election-date rate.			

Italy grew from 226 participants in 2018 to 1,242 in 2023—a 5.5-fold increase in six years—while raising the price three times. The compound annual growth rate (CAGR) in participant count over the 2018–2023 period is approximately 40%. Revenue grew from EUR 21 million to EUR 117.7 million over the same period, a CAGR of approximately 41%. These growth rates are the primary calibration input for TRE's trajectory modelling in Section F.5.

The 2024 revenue plateau (approximately EUR 119 million, an increase of only 1.1%) coincides with the August 2024 repricing from EUR 100,000 to EUR 200,000. This is consistent with a temporary suppression of new-entrant flow during the repricing adjustment period. It does not indicate programme exhaustion—the grandfathered participants continue to generate stable revenue, and the repriced rate doubles the per-participant contribution from each new entrant. The revenue trajectory is expected to resume growth as the post-repricing cohort builds.

F.3.2 Switzerland: The Mature-Programme Reference Floor

Switzerland's Aufwandbesteuerung (expenditure-based taxation) is the longest-established HNWI flat-tax regime in the world, with cantonal roots predating the 20th century. As at the most recent available data:

Metric	Value
Total participants	4,557
Annual revenue	CHF 821 million (≈ NZD 1.76 billion)
Average contribution per participant	CHF ≈180,000 (≈ NZD ≈386,000)

Switzerland's 4,557 participants generating NZD 1.76 billion in annual revenue is presented throughout this annex as a reference floor, not a ceiling. Switzerland operates in a fundamentally different competitive environment from New Zealand: it faces direct competition from Italy, Monaco, Malta, Portugal, and the UAE for the same European HNWI cohort, all within short-haul travel distance. New Zealand's geographic isolation means its competitive position is structurally different—it competes on a dimension (physical distance from geopolitical risk) that no European regime can replicate. The Swiss benchmark demonstrates that a mature HNWI flat-tax programme in a small economy can sustain participant counts in the thousands and generate revenue exceeding NZD 1 billion annually.

F.4 TRE Revenue Scenarios: Parameters and Derivation

Five scenarios are modelled, spanning a deliberately wide range. Each assumes TRE is enacted and operational, with participants paying the Annual Contribution during the Elective Period (years 5–20 of New Zealand tax residency). All scenarios use launch-rate pricing (NZD 600,000 principal; NZD 100,000 per dependent) for the core calculation, with adjustment for household composition as described below.

F.4.1 Household Composition Assumption

The average Annual Contribution per participating household is a function of the proportion of single participants, couples, and families. The following blended rate is used for all scenarios except where otherwise stated:

Configuration	TTRO (NZD)	Assumed Mix	Weighted (NZD)	Basis
Single, no dependents	600,000	30%	180,000	Industry norm
Couple	700,000	35%	245,000	Industry norm
Family of 3	800,000	20%	160,000	AIP applicant data
Family of 4+	900,000	15%	135,000	AIP applicant data
Blended average		**100%**	**720,000**	

The blended average of NZD 720,000 per household per annum is used as the base revenue multiplier in most scenarios. Where scenarios are expressed in per-participant (not per-household) terms at NZD 600,000, this reflects a simplification for direct comparability with the Italian data, which counts individual participants rather than households.

F.4.2 The Five Scenarios

Scenario	Participants	Contribution Basis	Annual Revenue	Benchmark / Rationale
Conservative	50	NZD 600,000	NZD 30m	Below Italy year 1 (226)
Moderate	200	NZD 600,000	NZD 120m	Comparable to Italy 2018–2019
Matches FIF Best Year	291	NZD 600,000	NZD 174.6m	Exceeds FIF FY2023–24 peak
Strong	500	NZD 600,000	NZD 300m	Below Italy year 5 (957)
Mature Programme	4,000	NZD 1,000,000*	NZD 4.0b	Below Swiss (4,557)
** Mature programme scenario uses a blended average contribution reflecting repriced rates for later cohorts (indicative NZD 1,000,000).*				

Conservative Scenario (50 participants, NZD 30 million per annum)

This scenario assumes TRE attracts fewer than one quarter of Italy's first-year intake. It is designed to represent a plausible lower bound—the level of uptake that might be achieved even with minimal promotional effort and a slow start to programme awareness. At 50 participants paying NZD 600,000 each, the annual revenue of NZD 30 million would fall below the FIF two-year average by NZD 83.9 million in direct contribution terms. However, the comparison is misleading: the Conservative scenario assumes a starting population in its first Contribution Year, while the FIF figure reflects the entire existing stock of post-transitional residents. As the TRE participant base grows, the revenue trajectory diverges upward; the FIF trajectory, absent TRE, diverges downward as departures continue.

Moderate Scenario (200 participants, NZD 120 million per annum)

This scenario assumes TRE achieves a steady state comparable to Italy's early performance, with 200 paying participants within the first several years. At NZD 120 million, this exceeds the FIF two-year average and begins to demonstrate programme viability. The 200-participant count is well within reach given that 573 AIP applications were lodged in the first ten months of the refreshed AIP programme—representing demonstrated demand from households already engaged with New Zealand's immigration architecture, though converting visa-holders to tax residents requires the additional step TRE provides.

Matches FIF Best Year (291 participants, NZD 174.6 million per annum)

This scenario identifies the breakeven participant count at which TRE Annual Contribution revenue matches the highest single-year FIF revenue ever recorded (FY2023–24, NZD 174.5 million). At NZD 600,000 per participant, the breakeven is 291 participants. The significance of this threshold is political: it demonstrates that TRE need not achieve even one-quarter of Italy's 2023 participant count to generate revenue that equals or exceeds the entire FIF take from this cohort at its historic peak—a peak that is itself unsustainable, as documented in Part 2.

Strong Scenario (500 participants, NZD 300 million per annum)

This scenario assumes TRE reaches approximately half of Italy's year-five participant count. At 500 participants and NZD 300 million in annual revenue, TRE would generate 2.6 times the FIF two-year average and 1.7 times the FIF peak year. This scenario is consistent with TRE achieving meaningful international profile within its first five to seven years of operation, particularly given the geopolitical demand tailwinds documented in Part 4 and the existing AIP pipeline of NZD 3.39 billion representing households already partway through New Zealand's qualification process.

Established Mature Programme (4,000 participants, NZD 4 billion per annum)

This scenario represents the long-term steady state of a successfully established TRE programme after 10–15 years of operation. The participant count of 4,000 is deliberately set below Switzerland's 4,557 to avoid overstating the comparison. The blended contribution rate of NZD 1,000,000 reflects the repriced rates applicable to later cohorts (indicative NZD 750,000–1,000,000+ at second and third repricing stages), mixed with grandfathered Cohort 1 participants at NZD 600,000. At NZD 4 billion per annum, TRE would constitute a material revenue stream for the Crown—approximately 4% of total core Crown tax revenue at current levels—generated entirely from wealth that does not currently reside in New Zealand and would not exist in the New Zealand tax base without the programme.

F.5 Growth Trajectory Modelling: Italy-Scaled Pathway

The Italian data provides the only directly comparable growth trajectory for an HNWI flat-tax regime launched in a developed economy in recent years. The TRE growth model adapts Italy's trajectory to New Zealand's parameters, with adjustments for the structural differences between the two programmes.

F.5.1 The Pipeline Effect: Transitional Period Lag

TRE's 4+16 structure introduces a pipeline effect not present in Italy's regime. A participant who arrives in New Zealand in Year 1 and elects into TRE during the transitional period does not begin paying the Annual Contribution until Contribution Year 1 (the fifth income year of New Zealand tax residency). This means that programme uptake in years 1–4 generates no Annual Contribution revenue. Revenue begins only when the first cohort's transitional period expires.

For modelling purposes, the pipeline lag is addressed by distinguishing between two measures: *elections* (participants who have elected into TRE during their transitional period) and *contributing participants* (those whose Elective Period has commenced and who are paying the Annual Contribution). The five scenarios in Section F.4 refer to contributing participants. The trajectory modelling below tracks both measures.

The existing AIP cohort partially offsets this lag. AIP applicants who arrived from September 2022 onwards are already progressing through their transitional periods. If TRE were enacted by April 2027, the earliest AIP arrivals would begin their Elective Periods as early as late 2027 or 2028—compressing the lag for the first wave of contributing participants.

F.5.2 Illustrative Year-by-Year Build

The following table illustrates a plausible growth trajectory from programme launch to year 12, using an assumed annual uptake rate of 80–120 new elections per year (consistent with Italy's early trajectory scaled to New Zealand's smaller economy), with the pipeline lag applied:

Year	New Elections	Cumulative Elections	Contributing (paying)	Avg Rate (NZD)	Gross Revenue (NZD m)	Notes
1	80	80	0	—	0	Pipeline; all in transition
2	90	170	0	—	0	Pipeline
3	100	270	0	—	0	Pipeline
4	110	380	0	—	0	Pipeline
5	120	500	80	600,000	48	Year-1 elections commence
6	120	620	170	600,000	102	Year-2 elections join
7	130	750	270	600,000	162	Year-3 elections join
8	140	890	380	600,000	228	Year-4 elections join
9	150	1,040	500	620,000	310	Repriced new entrants
10	160	1,200	620	640,000	397	Mixed cohort rates
11	170	1,370	750	660,000	495	Mixed cohort rates
12	180	1,550	890	680,000	605	Mixed cohort rates

This trajectory reaches the Strong scenario (500 contributing participants, approximately NZD 300 million) by programme year 9 and exceeds NZD 600 million by year 12. These figures are gross of QGI reductions and WMAC credits (addressed in Section F.6). The trajectory is conservative relative to Italy's actual experience: Italy reached 957 participants by its fifth full year (2022), from a base of 226 in its first (2018). The New Zealand model assumes a slower build, reflecting the smaller initial target market and the pipeline lag.

The trajectory also assumes no transformative promotional event. The MacroVoices Episode #513 precedent—which generated 15 or more AIP applications within 30 days of a single podcast episode—suggests that targeted promotional activity could accelerate the early-year uptake substantially. The model does not incorporate this possibility.

F.5.3 Cohort Stratification and Repricing Revenue Effects

As the programme matures and repricing events occur, later cohorts enter at higher contribution rates. This produces a natural upward drift in average contribution per participant even if participant growth were to stall. In the illustrative trajectory above, the average rate increases from NZD 600,000 (launch rate, years 5–8) to NZD 680,000 by year 12, reflecting a growing proportion of post-first-repricing entrants. By programme maturity (year 15+), the blended average is projected to approach NZD 1,000,000 or above, consistent with the Established Mature Programme scenario.

F.6 Adjustment Factors: QGI Reductions and WMAC Credits

F.6.1 QGI Reductions

The Qualifying Growth Investment incentive (full mechanics in Annex E) allows participants who invest in New Zealand's productive economy to reduce their Annual Contribution. At launch, every NZD 2.5 million of qualifying investment above and beyond any AIP obligation reduces the Total TRE Obligation by 10%; at NZD 25 million of qualifying investment, the obligation is reduced to zero. The revenue impact depends on the proportion of participants who deploy sufficient capital to activate QGI reductions, and the average level of investment among those who do.

For modelling purposes, the following assumptions are applied:

Assumption	Value
Proportion activating any QGI reduction	25% of contributing participants
Average QGI reduction among those who activate	30% of Total TRE Obligation
Proportion reaching zero-fee level	5% of contributing participants
Weighted aggregate revenue reduction	**Approximately 10.5% of gross revenue**

The 10.5% aggregate reduction is conservative relative to Italy's experience, where no equivalent investment incentive exists and the full flat fee is collected from every participant. The reduction is also self-funding in economic terms: every dollar of QGI reduction corresponds to multiple dollars of productive capital deployed into New Zealand's economy, generating employment income tax, GST, and corporate tax from the businesses funded. The QGI is not a revenue leakage—it is a conversion of flat-contribution revenue into a diversified, higher-multiplier revenue stream.

F.6.2 WMAC Credits

The Wealth Migration Ambassador Credit (full mechanics in Annex J) awards a credit equal to 50% of the recruited participant's first-year Total TRE Obligation. Crown arithmetic ensures no revenue is forgiven: each new participant generates their full first-year payment to the Crown; the Ambassador's credit is applied as a deferral of the Ambassador's own future contributions. The fiscal impact is a timing difference, not a permanent reduction.

For modelling purposes:

Assumption	Value
Proportion of new participants arriving via WMAC referral	20% of annual new elections
Average WMAC credit generated per referral	NZD 300,000 (single participant at launch rate)
Average credit application lag	1–3 years after issuance
Net Crown revenue impact per WMAC-referred participant, year 1	**NZD 300,000 (50% of recruited TTRO)**

The WMAC is self-funding by design. Each referred participant generates NZD 600,000 in their first year (at launch rates). The NZD 300,000 credit to the Ambassador defers NZD 300,000 of the Ambassador's own future contributions—contributions that would not exist in the Crown's revenue base if the referred participant had not been recruited. In year 2 and every subsequent year, the Crown receives the full NZD 600,000 from the referred participant with no further credit. The net effect of WMAC is to accelerate programme growth at a one-time cost of 50% of one year's contribution per successful referral, recovered in full within 12 months through the referred participant's ongoing contributions. The letting-agent analogy (introduced in the main body) captures the arithmetic: the landlord receives 11 months of rent in year one and the full rent every subsequent year.

F.6.3 Combined Impact on Net Revenue

Combining QGI reductions (approximately 10.5% of gross revenue) and WMAC credit deferrals (a timing effect that nets to zero over any multi-year horizon), the net revenue available to the Crown is approximately 89–90% of gross revenue in any given year, with the WMAC deferral component recovered in subsequent years. For the five headline scenarios:

Scenario	Gross Revenue	QGI Reduction (≈10.5%)	WMAC Timing	Net Revenue (approx.)
Conservative	NZD 30m	−NZD 3.2m	Deferred	NZD ≈27m
Moderate	NZD 120m	−NZD 12.6m	Deferred	NZD ≈107m
FIF Breakeven	NZD 174.6m	−NZD 18.3m	Deferred	NZD ≈156m
Strong	NZD 300m	−NZD 31.5m	Deferred	NZD ≈269m
Mature	NZD 4.0b	−NZD 420m	Deferred	NZD ≈3.58b

The QGI reduction figures above do not account for the second-order revenue effects of QGI-qualifying investments: employment income tax paid by workers in funded businesses, corporate tax on those businesses, GST on goods and services produced, and the multiplier effects of productive capital deployment. These effects are not modelled in this annex but would partially or fully offset the headline QGI reduction in a comprehensive fiscal impact assessment.

F.7 The Median-Worker Equivalence

Three data series are available for expressing TRE's Annual Contribution in terms of the income tax paid by median New Zealand workers. Each uses a different definition of median income and a different tax calculation. All three are presented here for transparency; the main body and Ministerial Brief use the 130× and 78× figures, while the 44× figure is confined to this annex.

F.7.1 The Three Comparators

Measure	Median Income	Estimated Tax	Equivalence (single)	Equiv. (family of 4)	Source
Individual income tax (NZ median)	Various	NZD 4,615	**130×**	195×	IRD data
Individual income tax (alt. series)	Various	NZD 7,692	**78×**	117×	IRD data
Wages & salaries (Stats NZ)	NZD 71,760/yr	NZD 13,749	44×	65×	Stats NZ LEED

F.7.2 Explanation of the 44× Conservative Figure

The 44× figure derives from Stats NZ's median wages and salaries series (NZD 71,760 per annum), which yields an estimated annual income tax of approximately NZD 13,749 per median earner. At the launch-rate Principal Contribution of NZD 600,000, a single TRE participant pays the equivalent income tax of approximately 44 median-wage earners.

Methodological caveat. Stats NZ cautions that annualising weekly or quarterly wage snapshots may not accurately reflect full-year income positions for part-time, seasonal, or variable-income workers. The NZD 71,760 figure is derived from the Linked Employer-Employee Data (LEED) series and captures wages and salaries only—it excludes self-employment income, investment income, and other non-wage sources of taxable income. This produces a higher median income figure than the IRD-derived measures (which capture total assessed income across all sources, including a long tail of low-income filers), and therefore a lower tax-per-median-earner figure and a lower equivalence multiple.

The 44× figure is presented here for completeness and to ensure officials have access to the most conservative available comparator. It does not appear in the main body, the Ministerial Brief, or the Conclusions. The 130× and 78×

figures are used in those documents because they reflect the broader income tax base—the relevant comparison when the question is "how many New Zealanders' income tax does one TRE participant replace?"

F.8 Sensitivity Analysis

The revenue projections are sensitive to several input assumptions. The following analysis tests the key variables across a plausible range, using the Moderate scenario (200 participants, NZD 120 million gross) as the reference case.

F.8.1 Participant Uptake Rate

Uptake Assumption	Contributing Participants	Gross Revenue (NZD m)	Impact vs. Reference
Low (50% of reference)	100	60	−50%
Reference (Moderate)	200	120	—
High (150% of reference)	300	180	+50%
Very high (Italy year-5 equivalent)	500	300	+150%

Revenue is linearly proportional to participant count at constant average contribution. The key determinant of uptake is the programme's international visibility and the speed with which it is adopted by the private banking and family office advisory community as a credible destination recommendation. Italy's experience suggests that recognition among advisers is the primary driver of growth—the majority of Italy's participants arrive through professional adviser networks, not through direct government marketing.

F.8.2 Household Composition

Shifting the household mix from the base assumption (blended NZD 720,000) to an all-single composition (NZD 600,000) or to a heavier family weighting (blended NZD 800,000) produces a ±15% range around the reference revenue. At 200 participants:

Mix Scenario	Average TTRO (NZD)	Gross Revenue (NZD m)
All single	600,000	120
Base blended	720,000	144
Family-heavy	800,000	160

The headline scenarios in Section F.4 conservatively use NZD 600,000 per participant (the single rate), not the blended household average, ensuring that the revenue figures are not dependent on household composition assumptions. The blended average is presented here for completeness; where it is applied in the trajectory modelling (Section F.5), the effect is noted.

F.8.3 QGI Reduction Rate

If the proportion of participants activating QGI reductions is higher than assumed—for example, 40% of contributing participants instead of 25%—the aggregate QGI reduction rises from approximately 10.5% to approximately 16.8% of gross revenue. Conversely, if only 15% activate QGI reductions, the aggregate reduction falls to approximately 6.3%. The range is NZD 7.6 million to NZD 20.2 million around the Moderate scenario gross of NZD 120 million. In all cases, higher QGI uptake implies greater productive capital deployment into the New Zealand economy, partially offsetting the revenue reduction through second-order fiscal effects.

F.8.4 Repricing Effects

The illustrative repricing schedule (NZD 600,000 at launch; indicatively NZD 750,000–900,000 after first repricing; indicatively NZD 1,000,000+ after second repricing) produces a revenue multiplier on later cohorts. If 50% of the mature-programme participant base of 4,000 entered at repriced rates averaging NZD 1,200,000 and 50% remain at grandfathered launch rates of NZD 600,000, the blended average contribution is NZD 900,000 and total revenue is NZD 3.6 billion—below the NZD 4 billion headline but still a transformative fiscal outcome. Conversely, more aggressive repricing or faster cohort turnover would increase the mature-programme revenue above the headline scenario.

F.9 Limitations and Caveats

This annex presents the revenue modelling with deliberate transparency about its limitations. Officials should assess the projections in light of the following:

F.9.1 No Peer-Reviewed Causal Model

There is no peer-reviewed econometric study isolating the causal effect of a flat-tax HNWI regime on migration to New Zealand specifically. The academic literature on tax-induced migration of high-income individuals (Annex I) establishes that elasticity is high, but the empirical estimates are derived from European contexts (Swiss cantons, Scandinavian professional athletes). Extrapolating to New Zealand requires judgment about the comparability of the migration decision—a judgment that the Italian proof-of-concept supports but does not prove.

F.9.2 Italy Is the Closest Analogue, Not a Perfect One

Italy's regime differs from TRE in several respects: Italy imposes a 183-day annual presence requirement (TRE uses a rising cumulative minimum averaging 90 days); Italy has no transitional period lag (contributions begin immediately); Italy's geographic position in Europe gives it direct access to the UK, Swiss, and Middle Eastern HNWI pools. TRE's geographic isolation is simultaneously a competitive advantage (safety premium) and a friction (long-haul access). The Italian growth trajectory is used as a template, not a prediction.

F.9.3 AIP Conversion Rates Are Unknown

The NZD 3.39 billion AIP pipeline represents demonstrated interest in New Zealand residency, but the proportion of existing AIP holders who would elect into TRE is unknown. No survey of AIP holders' tax-residency intentions exists. The pipeline is used as a directional indicator of demand, not as a basis for a specific conversion-rate assumption.

F.9.4 Henley Data Limitations

The global wealth migration statistics cited throughout the main body and used as contextual background in this annex are predominantly sourced from Henley & Partners and their research partner, New World Wealth. Their methodology for tracking HNWI migration flows is not fully transparent and is produced by an organisation with commercial interests in the migration advisory market. The data is used directionally and described as industry intelligence. It is not treated as an independent statistical source equivalent to government or central bank data.

F.9.5 Scenario-Based, Not Forecast-Based

None of the five scenarios constitutes a revenue forecast. Each describes the fiscal outcome under a stated set of assumptions. The appropriate use of this analysis is to assess whether the opportunity space is sufficiently large—and the downside sufficiently limited—to warrant commitment to a formal design phase. Even the Conservative scenario (50 participants, approximately NZD 27 million net) generates revenue from a cohort that currently contributes zero to the Crown under the status quo architecture. The counterfactual is not "what if TRE falls short?" It is "what revenue does New Zealand collect if TRE does not exist?" The answer, for the cohort in question, is approaching zero as the transitional-period cliff continues to drive departures.

ANNEX G: Comparative Regime Reference Data

G.1 Purpose and Scope

This annex consolidates the comparative regime data cited throughout the TRE main body. It is the single reference document for all comparator-regime statistics, pricing histories, and programme-level metrics. Treasury and IRD officials reviewing the TRE proposal should refer to this annex for the evidentiary basis underlying the competitive landscape analysis in Part 5 and the revenue projections in Annex F.

Cross-regime comparison of wealth migration programmes is inherently imperfect. Regimes differ in legislative architecture, eligibility criteria, investment requirements, and the degree to which programme-level data is published. Where data originates from a single industry source (in particular Henley & Partners / New World Wealth), this is noted explicitly. Henley data is treated as directional industry intelligence throughout; its methodology lacks full public transparency, and figures should be corroborated with independent sources where possible.

All currency conversions use the approximate spot rates prevailing in February 2026 unless otherwise stated: EUR 1 = NZD 1.82; CHF 1 = NZD 2.14; GBP 1 = NZD 2.18; USD 1 = NZD 1.72. These are rounded reference rates for comparability; they do not constitute financial advice or forecasts.

G.2 Italy: Regime 24-bis (Imposta Sostitutiva)

G.2.1 Legislative Basis and Design

Italy's flat-tax regime for new tax residents was introduced by Article 24-bis of the Testo Unico delle Imposte sui Redditi (TUIR), enacted by Law No. 232 of 11 December 2016 (the 2017 Budget Law), effective from the 2017 tax year. The regime permits qualifying individuals who transfer their tax residence to Italy to elect to pay a fixed annual substitute tax (imposta sostitutiva) on all foreign-sourced income, in lieu of ordinary Italian income tax on that income. Italian-sourced income remains subject to standard Italian tax rates.

Eligibility requires that the individual has not been an Italian tax resident for at least nine of the ten tax years preceding the year of transfer. No investment requirement applies. The election is made in the annual tax return for the year of transfer or the following year, and takes effect for a maximum of fifteen tax years from the year of election. The regime extends to qualifying family members at a reduced rate.

Italy's regime is the primary proof-of-concept for the escalation-with-grandfathering model on which TRE's pricing architecture is based. The programme grew from 226 participants in its first full year (2018) to 1,242 participants by 2023 — a 5.5-fold increase over six years — while the entry price was raised three times. Each increase applied exclusively to new entrants; existing participants were grandfathered at their election-date rate for the full term.

G.2.2 Pricing History

Programme Stage	Annual Substitute Tax (New Entrants)	Dependent Rate
Launch (2017)	EUR 100,000	EUR 25,000 per dependent
August 2024 repricing	EUR 200,000	EUR 25,000 per dependent
January 2026 repricing	EUR 300,000	EUR 25,000 per dependent (under review)

All prior entrants are grandfathered at their election-date rate. A participant who elected in 2018 at EUR 100,000 continues to pay EUR 100,000 annually through to the end of their fifteen-year term regardless of subsequent repricing events. This design is directly mirrored in TRE's grandfathering architecture (Annex A, section A.11).

G.2.3 Participant and Revenue Time Series (2018–2023)

The following table presents the published Italian tax authority data for the 24-bis regime. Revenue figures are approximate, derived from Agenzia delle Entrate statistical publications and cross-referenced with Italian parliamentary reporting.

Tax Year	Participants	Approx. Revenue (EUR)	Approx. Revenue (NZD)
2018	226	€21,000,000	NZD 38,200,000
2019	363	€35,000,000	NZD 63,700,000
2020	~400	€43,900,000	NZD 79,900,000
2021	690	€64,000,000	NZD 116,500,000
2022	957	€90,000,000	NZD 163,800,000
2023	1,242	€117,700,000	NZD 214,200,000
2024	Not yet published	€119,000,000 (est.)	NZD 216,600,000 (est.)

August 2024: Rate increased from EUR 100,000 to EUR 200,000 for new entrants. All existing participants grandfathered at EUR 100,000.

January 2026: Rate increased from EUR 200,000 to EUR 300,000 for new entrants. All prior entrants grandfathered at their election-date rate.

Source: Agenzia delle Entrate, Statistiche fiscali; Italian parliamentary committee reports on tax expenditures; author analysis. The 2024 revenue estimate (EUR 119,000,000) is derived from the 2023 participant count applied to the EUR 100,000 base rate for the majority of participants, with a partial-year contribution from post-August 2024 entrants at the EUR 200,000 rate. This figure is indicative only.

G.2.4 Key Design Parameters

Parameter	Italy 24-bis
Annual cost (new entrant, 2026)	EUR 300,000 (~NZD 546,000)
Dependent cost	EUR 25,000 (~NZD 45,500) per dependent
Maximum term	15 tax years from election
Prior non-residence	9 of 10 preceding years
Presence / residency	183 days/year or habitual abode or centre of vital interests
Investment requirement	None
Privacy on foreign income	Yes — lump-sum substitute; no per-source disclosure
Grandfathering	Full — election-date rate for full term
Inheritance / gift tax	Applies on Italian-situs assets only
Capital gains tax	Covered by substitute tax (foreign-sourced); standard rates on Italian-sourced
Conflict exposure	High — European NATO member, 900km from Ukrainian border

Italy's 183-day presence requirement is materially more onerous than TRE's 90-day annual average (rising cumulative minimum). This difference is significant for participants who maintain business interests in multiple jurisdictions and cannot commit to six months of Italian presence annually. TRE's presence design is deliberately calibrated below the 183-day threshold that triggers tax residency in most other jurisdictions, permitting dual-base arrangements that Italy's requirement makes difficult.

G.3 Switzerland: Forfait Fiscal (Expenditure-Based Taxation)

G.3.1 Legislative Basis and Structure

Switzerland's expenditure-based taxation (Aufwandbesteuerung, known colloquially as the forfait fiscal) permits qualifying foreign nationals who take up Swiss residence and do not engage in gainful employment in Switzerland to be taxed on the basis of their worldwide living expenditure rather than their worldwide income. The regime operates at both federal and cantonal levels, with material cantonal variation in eligibility thresholds, minimum tax base, and application.

At the federal level, a minimum taxable expenditure of CHF 400,000 per year applies. Cantons set their own minima, which may exceed the federal floor. The Vaud canton, for example, applies a minimum of CHF 250,000 in combined cantonal and communal taxes — effectively producing annual tax bills in the range of CHF 250,000 to CHF 650,000 depending on canton, commune, and lifestyle expenditure declared.

Eligibility is restricted to foreign nationals; Swiss citizens may not elect expenditure-based taxation. The individual must not have been Swiss tax resident in the ten preceding years and must not engage in gainful activity in Switzerland. Unlike Italy, there is no fixed term — the regime continues indefinitely so long as the eligibility conditions remain satisfied.

G.3.2 Programme-Level Data

Switzerland publishes aggregate forfait fiscal data through the Federal Tax Administration (Eidgenössische Steuerverwaltung). The most recent consolidated figures are:

Metric	Value
Total participants (most recent published year)	4,557
Total federal and cantonal revenue	CHF 821,000,000 (~NZD 1,757,000,000)
Average annual tax per participant	~CHF 180,000 (~NZD 385,000)
Revenue as share of total Swiss tax revenue	<1%
Largest cantonal concentrations	Vaud, Valais, Geneva, Ticino, Grisons

The Swiss data establishes a mature-market reference floor for TRE revenue modelling (see Annex F). Switzerland's programme has operated for decades and is fully embedded in the international wealth management advisory ecosystem. That 4,557 participants generate approximately NZD 1.76 billion annually demonstrates the revenue-generating potential of a well-established expenditure-based regime in a comparable jurisdiction.

G.3.3 Academic Evidence: Elasticity of High-Net-Worth Taxpayers

Switzerland provides the most rigorous empirical evidence on the tax elasticity of mobile wealthy individuals. Baselgia and Martínez (Economic Journal, 2025) studied Swiss cantons that repealed expenditure-based taxation following the 2014 federal referendum. The core finding: cantons that abolished the forfait fiscal saw the stock of super-rich foreigners decline by approximately 43%. This is the single strongest peer-reviewed estimate of the mobility response of wealthy foreigners to tax regime changes, and it directly supports TRE's premise that tax settings are the primary determinant of settlement decisions.

G.3.4 Key Design Parameters

Parameter	Switzerland Forfait Fiscal
Annual cost (effective range)	CHF 250,000–650,000 (~NZD 535,000–1,391,000)
Dependent cost	Bundled in expenditure calculation
Maximum term	Indefinite (no fixed term)
Prior non-residence	10 years (Swiss tax residency)
Presence / residency	~180 days/year (cantonal variation)
Investment requirement	None (federal); some cantons impose conditions

Parameter	Switzerland Forfait Fiscal
Privacy on foreign income	Yes — expenditure-based; no worldwide income disclosure
Grandfathering	Varies by canton; federal regime perpetual while conditions met
Conflict exposure	Moderate — neutral, but European geography (900km from Ukraine)

Switzerland's regime demonstrates that a lump-sum-style programme can sustain premium pricing over decades. The effective annual cost is materially higher than TRE's launch rate (NZD 600,000 for a principal applicant) in most cantons, yet Switzerland maintains over 4,500 participants. The principal limitation — from the perspective of TRE's target cohort — is geographic: Switzerland is 900 kilometres from the Ukrainian border. TRE offers a comparable product at a comparable price, at the end of the earth.

G.4 United Kingdom: Non-Domiciled Resident Regime and FIG Successor

G.4.1 The Abolished Non-Dom Regime

The United Kingdom's non-domiciled resident ("non-dom") regime was one of the oldest and largest wealth migration frameworks in the world. Under the regime, UK-resident individuals who were not domiciled in the UK could elect to be taxed on the remittance basis: foreign income and gains were taxable only to the extent they were remitted to the UK. After a period of unremitted accumulation, a Remittance Basis Charge (£30,000 after seven years of residence; £60,000 after twelve years) applied annually.

In the 2022–23 tax year (the most recent for which HMRC data is available), the UK hosted approximately 74,000 non-domiciled residents who collectively contributed £8.9 billion annually in income tax, capital gains tax, and National Insurance contributions. This figure is sourced from HMRC statistical publications as reported by the Financial Times in July 2024.

G.4.2 Abolition and Departure

The non-dom regime was abolished effective 6 April 2025, enacted through provisions in the Finance Act 2025 following the October 2024 Budget announcements. The abolition was accompanied by increases to capital gains tax rates and inheritance tax reforms affecting non-UK-domiciled individuals.

Industry data estimates that approximately 16,500 millionaires left the UK in 2025 — the largest single-year net outflow of millionaire residents from any country on record. This figure originates from Henley & Partners / New World Wealth and should be treated with the methodological caveats noted in section G.10. The associated liquid wealth departure is estimated at approximately USD 92 billion (approximately GBP 72 billion).

G.4.3 The FIG Successor Regime

The replacement regime — the Foreign Income and Gains (FIG) scheme — offers a four-year exemption from UK tax on foreign income and gains for qualifying individuals who become UK tax resident after a period of ten or more years of non-UK residence. Key parameters:

Parameter	UK FIG Regime
Annual cost	No annual fee — standard UK tax applies to UK-sourced income
Maximum term	4 years only
Prior non-residence	10 consecutive years
Presence / residency	183 days/year (statutory residence test)
Investment requirement	None
Privacy on foreign income	No — full disclosure required for claiming FIG relief
Grandfathering	None beyond the 4-year window

Parameter	UK FIG Regime
Post-FIG treatment	Full worldwide taxation under standard UK rules

The FIG regime's structural limitation is its four-year horizon with no post-transitional settlement contract. This is precisely the architectural deficiency that caused 16,500 millionaires to depart in 2025 — no rational household will make a permanent settlement commitment when the post-transitional regime reverts to full worldwide taxation with no certainty and no grandfathering.

G.4.4 The Residual Non-Dom Cohort: TRE's Most Identifiable Prospect Pool

The 16,500 who departed in 2025 came from the pool of 74,000. The remaining 57,500 or more former non-doms are now within the UK's four-year FIG transitional window, with FIG relief expiring no later than April 2029. These individuals are making permanent relocation decisions within the next 24 to 36 months. They have already demonstrated (by decades of residence under the non-dom regime) both the wealth level and the willingness to structure affairs around a favourable foreign-income tax framework.

This cohort is the single most identifiable, most motivated, and most accessible pool of potential TRE participants in the world. TRE offers them what the UK chose not to: a post-transitional settlement contract with grandfathered terms for sixteen years. The timing is structural, not coincidental — TRE's legislative window aligns precisely with the FIG cohort's decision-making timeline.

G.5 United Arab Emirates

G.5.1 Tax Architecture and Migration Volume

The UAE imposes no personal income tax on individuals (a federal corporate income tax of 9% on business profits above AED 375,000 was introduced in June 2023, but it does not affect individual investment income). This zero-tax environment, combined with the Dubai and Abu Dhabi golden visa programmes, has made the UAE the world's leading net destination for millionaire migration. Industry estimates place UAE net inflow at approximately 9,800 millionaires in 2025 — the highest of any jurisdiction globally.

The UAE Golden Visa programme offers five-year and ten-year residence visas to investors (minimum AED 2 million in property or qualifying investment), entrepreneurs, specialised professionals, and outstanding students. Presence requirements are minimal: the golden visa does not require continuous physical presence, though some categories require periodic re-entry.

G.5.2 Limitations as a Comparator

The UAE is not a direct structural comparator for TRE because it does not operate a flat-tax or contribution-based regime — its attraction is the zero-tax environment itself. The relevant comparison is on settlement quality, not programme design. For households whose primary optimisation variable is tax minimisation without regard to other factors, the UAE is unbeatable.

However, the UAE presents material limitations for the TRE target cohort: it has no double-tax agreement network equivalent to NZ's; it sits within a region of elevated geopolitical risk (proximity to Iran, involvement in Yemen conflict, Strait of Hormuz exposure); the cultural and lifestyle environment is substantively different from the English-speaking common-law jurisdictions that most European and American households are evaluating; and it has no equivalent of NZ's geographic isolation from conflict zones. The characterisation in Part 5 of the main body remains applicable: zero tax at the wrong address is the wrong answer to the right question — for the cohort TRE is designed to serve.

Parameter	UAE
Personal income tax	Nil
Capital gains tax	Nil
Inheritance tax	Nil (DIFC wills regime for non-Muslims)
Golden Visa investment	AED 2,000,000+ (~NZD 940,000)

Parameter	UAE
Net millionaire inflow (2025)	+9,800 (est., Henley)
Conflict exposure	Elevated — regional geopolitical risk

G.6 Singapore: Global Investor Programme and Family Office Regime

G.6.1 Programme Structure

Singapore's Global Investor Programme (GIP) grants permanent residence to qualifying investors and business owners who make a substantial investment in one of three options: (a) investment of at least SGD 10 million in a new business entity or expansion of an existing Singapore-based business; (b) investment of at least SGD 25 million in a GIP-approved fund; or (c) investment of at least SGD 50 million in establishing a Singapore-based single family office with at least SGD 200 million in assets under management. These thresholds were raised substantially in March 2023 from earlier levels (SGD 2.5 million for the standard pathway).

Singapore operates a territorial tax system: only income sourced in or remitted to Singapore is taxable. Foreign-sourced income that is not remitted is generally exempt. The top marginal personal income tax rate is 24% (on income exceeding SGD 1 million, effective from year of assessment 2024). There is no capital gains tax and no inheritance tax.

G.6.2 Family Office Growth and Deliberate Moderation

Between 2020 and 2024, the number of registered family offices in Singapore grew from approximately 400 to over 2,000 — a fivefold increase driven primarily by inflows from mainland China, Hong Kong, and India. This rapid growth prompted the Monetary Authority of Singapore (MAS) to introduce progressively tighter conditions: increased minimum fund sizes, local hiring requirements, local investment commitments, and more rigorous due diligence.

By 2025, MAS was actively refusing renewal applications and raising effective barriers to new entrants. This is deliberate policy moderation, not programme failure — Singapore built the world's most successful wealth migration programme and then chose, with sound institutional reason, to slow its growth. The consequence is a substantial population of ultra-high-net-worth individuals already resident in Singapore who face tightening conditions and may be evaluating alternative jurisdictions. TRE's visa-neutral design (Annex A, section A.3.6) means these individuals can elect into the regime through the tax-residency pathway without requiring an AIP visa.

Parameter	Singapore
GIP minimum investment	SGD 10m–50m (~NZD 13m–64m) depending on pathway
Personal income tax (top rate)	24% (on income >SGD 1m)
Foreign-sourced income	Generally exempt if not remitted
Capital gains tax	Nil
Inheritance tax	Nil (abolished 2008)
Family offices registered	~2,000+ (as at 2024)
Programme trajectory	Deliberate moderation — tightening eligibility and enforcement
Conflict exposure	Moderate — South China Sea, Malacca Strait dependency

G.7 European Tier: Greece, Portugal, Malta, and Cyprus

Several European jurisdictions offer flat-tax or preferential regimes for high-net-worth immigrants. None replicates TRE's combination of English language, common-law system, geographic isolation from conflict, and

16-year grandfathered term. Each is summarised below with the key parameters relevant to competitive positioning.

G.7.1 Greece: Article 5A (Non-Dom Regime)

Greece introduced its flat-tax regime for new residents in 2020 (Law 4714/2020, Article 5A of the Income Tax Code). Qualifying individuals who transfer their tax residence to Greece after a minimum of seven years of non-Greek tax residence may elect to pay a fixed annual tax of EUR 100,000 on all foreign-sourced income for a period of up to fifteen years. An alternative pathway for investment income is available at EUR 100,000 for the principal applicant. An additional EUR 20,000 per family member applies.

Greece also requires a minimum investment of EUR 500,000 (approximately NZD 910,000) in Greek real estate, businesses, or securities, to be made within three years of the election. This investment requirement makes Greece more demanding than Italy at the point of entry, though the annual fee is materially lower at present.

Parameter	Greece (Article 5A)
Annual cost (new entrant)	EUR 100,000 (~NZD 182,000)
Dependent cost	EUR 20,000 per family member
Maximum term	15 years
Prior non-residence	7 of 8 preceding years
Presence / residency	Flexible — 183-day standard applies but primary enforcement is tax-based
Investment requirement	EUR 500,000 (~NZD 910,000) within 3 years
Privacy on foreign income	Partial — election disclosed; foreign income detail not fully required
Grandfathering	Election-date rate for term (limited legislative track record)
Conflict exposure	High — Eastern Mediterranean; Turkey border; NATO eastern flank

G.7.2 Portugal: Non-Habitual Resident (NHR) Regime — Wound Down

Portugal’s Non-Habitual Resident regime, introduced in 2009, offered qualifying new tax residents a ten-year exemption from Portuguese tax on most categories of foreign-sourced income, together with a flat 20% rate on qualifying Portuguese-sourced employment and self-employment income. The regime attracted significant inflows, particularly from French, Swedish, and Scandinavian retirees.

The NHR was formally closed to new applicants from 1 January 2024, following the October 2023 Budget announcement. A limited successor — the Tax Incentive for Scientific Research and Innovation (IFICI) — is available from 2024, but it targets professionals and researchers rather than the broad HNWI cohort that the NHR attracted. Portugal is no longer a competitive destination for passive foreign-income wealth migration at scale.

G.7.3 Malta: Special Tax Status Programmes

Malta operates several preferential tax programmes for high-net-worth individuals, including the Global Residence Programme (GRP), the Malta Retirement Programme (MRP), and the Residence Programme (for EU/EEA nationals). Under the GRP, qualifying non-EU individuals pay a flat 15% tax on foreign income remitted to Malta, with a minimum annual tax of EUR 15,000. The regime has no fixed term.

Malta’s programmes are targeted at a different wealth tier than TRE. The minimum annual tax (EUR 15,000) and property requirements (annual rental of EUR 9,600+ or property purchase of EUR 275,000+) position Malta as an accessible entry point for mid-tier wealth migration, not the ultra-high-net-worth market that TRE addresses. Malta’s conflict exposure (central Mediterranean, EU member) and small jurisdiction size further distinguish it from NZ’s positioning.

G.7.4 Cyprus: Non-Domicile Exemption

Cyprus offers a non-domicile status available to individuals who become Cyprus tax resident but are not domiciled in Cyprus. Non-domiciled residents are exempt from Special Defence Contribution (SDC) on dividend income, interest income, and rental income from overseas sources. Cyprus additionally provides an employment income exemption of 50% for qualifying high earners (annual remuneration exceeding EUR 55,000) employed in Cyprus for the first time, applicable for up to seventeen years.

Cyprus imposes no inheritance tax and has a growing family office community. Corporate tax is 12.5% (among the lowest in the EU), and Cyprus has an extensive double-tax treaty network. The non-domicile regime has no fixed annual contribution — it operates as an exemption structure, not a flat-tax mechanism.

Like all European-tier programmes, Cyprus answers the tax question from inside the European risk map. For households whose primary evaluation criterion is geographic isolation from conflict, Cyprus does not compete with TRE. It is, however, a meaningful intermediate option for households not yet ready to make the southern-hemisphere commitment.

G.8 Summary Comparison Table

The following table consolidates the key design parameters of all comparator regimes alongside TRE at launch and at programme maturity. It is intended as the single-page reference for family office advisers evaluating the competitive landscape.

Regime	Annual Cost (New Entrant)	Term	Privacy	Presence	Investment Req.	Conflict Exposure
TRE (launch)	NZD 600k + 100k/dep	16 yrs	Yes (Track 2)	90 d/yr avg	Nil at launch	ZERO
TRE (mature)	NZD 1m++	16 yrs	Yes (Track 2)	90 d/yr avg	NZD 10m	ZERO
Italy 24-bis	EUR 300k (~NZD 546k)	15 yrs	Yes	183 d/yr	None	High (Europe)
Switzerland forfait	CHF 250–650k (~NZD 535k–1.4m)	Indefinite	Yes	~180 d/yr	Varies	Moderate (Europe)
UK FIG	No fee	4 yrs only	No	183 d/yr	None	Moderate
UAE	Nil (zero tax)	Visa-based	N/A	Minimal	AED 2m+	Elevated
Singapore	Territorial + 24% top	PR / GIP	Partial	Varies	SGD 10m–50m	Moderate
Greece	EUR 100k (~NZD 182k)	15 yrs	Partial	Flexible	EUR 500k	High (Europe)
Portugal (NHR)	Closed to new applicants (Jan 2024)	—	—	—	—	Moderate
Malta (GRP)	15% min EUR 15k	Indefinite	Partial	Varies	Property	Moderate
Cyprus	Exempt (SDC/dividends)	17 yrs max	Partial	60+ days	None	Moderate (East Med)

Reading note: The table is deliberately compressed. Full parameter detail for each regime is in the relevant preceding section. The “conflict exposure” column is a qualitative assessment based on geographic proximity to current or foreseeable conflict zones, not a formal risk rating.

G.9 TRE Annual Contribution in Context: Median-Worker Equivalence

This section provides the methodological basis for the median-worker equivalence figures used throughout the TRE main body and Conclusions. These figures contextualise the TRE Annual Contribution as a multiple of the annual income tax paid by a median New Zealand wage and salary earner.

G.9.1 Primary Comparators (Used in Main Body)

Two primary comparators are used in the main body and Conclusions:

Comparator	Basis	Tax per Earner (est.)	Multiple of TRE Launch Rate
78×	Median individual income (all sources, Stats NZ)	~NZD 7,700	NZD 600,000 ÷ NZD 7,700 ≈ 78
130×	Median individual income tax (PAYE earners, IRD data)	~NZD 4,600	NZD 600,000 ÷ NZD 4,600 ≈ 130

Both figures are defensible within their respective data series. The 78× figure uses Stats NZ median individual income from all sources; the 130× figure uses a narrower IRD-derived estimate of median PAYE income tax actually paid. The 130× figure is the more politically compelling comparator and is used in the highest-visibility passages.

G.9.2 Conservative Comparator (Annex Reference Only)

A conservative alternative calculation yields 44×: based on the Stats NZ median wages and salaries figure of NZD 71,760 per annum, the estimated annual income tax payable on that amount is approximately NZD 13,749 (applying 2025–26 marginal rates: 10.5% on the first NZD 14,000; 17.5% on NZD 14,001–48,000; 30% on NZD 48,001–70,000; 33% on NZD 70,001–71,760). At the TRE launch rate of NZD 600,000, this yields a multiple of approximately 44 median earners.

Stats NZ cautions against annualising weekly income snapshots, and the median wages and salaries figure captures a broader population than the full-time-equivalent workforce. The 44× figure is the most conservative reasonable estimate and provides a methodological floor. It does not appear in the main body, the Conclusions, or the executive summary — it is recorded here for completeness and transparency.

At all three multiples, the central point holds: a single TRE participant's Annual Contribution equals or exceeds the annual income tax paid by between 44 and 130 median New Zealand wage earners. Every dollar of that contribution is revenue that would not exist under current settings, because the participant would not be a New Zealand tax resident.

G.10 Methodological Notes and Data Source Caveats

G.10.1 Henley & Partners / New World Wealth Data

Several statistics cited in this annex and throughout the TRE main body originate from Henley & Partners in partnership with New World Wealth. These include: global millionaire migration volumes (147,000 in 2025; 165,000 forecast for 2026); country-level net inflow and outflow figures (UK −16,500; UAE +9,800); the "Safe Haven 8" classification; and German millionaire enquiry volumes (+114% between 2023–2024).

Henley & Partners is a commercial migration advisory firm with a direct financial interest in the wealth migration market. New World Wealth's methodology for tracking millionaire movements is not published in sufficient detail to permit independent replication. The figures should be understood as industry intelligence — directionally informative but not equivalent to official statistical series. Where possible, Henley figures have been corroborated with independent sources: government statistical publications, central bank data, tax authority records, and academic research.

G.10.2 Exchange Rate Conventions

All NZD equivalents in this annex use the approximate spot rates prevailing in February 2026: EUR 1 = NZD 1.82; CHF 1 = NZD 2.14; GBP 1 = NZD 2.18; USD 1 = NZD 1.72; AED 1 = NZD 0.47; SGD 1 = NZD 1.28. These are rounded reference rates for comparability purposes and are subject to market fluctuation.

G.10.3 Data Currency

Regime / Data Series	Data Currency Date
Italy 24-bis participant time series	2023 (latest published tax year)
Switzerland forfait fiscal	Most recent Federal Tax Administration publication
UK non-dom count (74,000)	2022–23 tax year (HMRC)
UK millionaire departures (16,500)	Calendar year 2025 (Henley estimate)
UAE golden visa parameters	February 2026
Singapore GIP thresholds	March 2023 revision (current as at February 2026)
Greece Article 5A	2020 legislation (current as at February 2026)
Cyprus non-dom	Current as at February 2026
NZ AIP data	11 February 2026 (INZ published snapshot)
Global millionaire migration (147,000)	Calendar year 2025 (Henley revised estimate)

G.10.4 Source Attribution Summary

Italian participant and revenue data: Agenzia delle Entrate, Statistiche fiscali; Italian parliamentary reporting on tax expenditures. Swiss participant and revenue data: Eidgenössische Steuerverwaltung (Federal Tax Administration), published statistics on lump-sum taxation. UK non-dom data: HMRC statistical publications; Financial Times reporting (July 2024). Global migration statistics: Henley & Partners / New World Wealth (treated as industry intelligence, not official statistics). Academic evidence: Baselgia & Martínez, Economic Journal (2025); Schmidheiny & Slotwinski, Journal of Public Economics (2018); Kleven, Landais & Saez, American Economic Review (2013). NZ AIP data: Immigration New Zealand, investor category published snapshot, 11 February 2026. NZ tax data: Inland Revenue Department OIA releases; Stats NZ income survey data.

Where data has been derived or estimated by the author (in particular the NZD equivalents of foreign-currency figures, and the 2024 Italy revenue estimate), this is stated explicitly in the relevant table or text.

End of Annex G

ANNEX H: Residency Mechanics

H.1 Purpose and Scope

This Annex provides the complete administrative framework for the TRE residency requirement, the election process, Track changes, lapse mechanics, voluntary withdrawal, and death-triggered lapse. It is addressed to Inland Revenue and Treasury officials and is drafted at a level of operational detail sufficient to support legislative drafting instructions, IRD systems specification, and the preparation of official participant guidance.

Nothing in this Annex modifies or qualifies the regime parameters set out in Annex A (Full TRE Terms Sheet). Where a question of interpretation arises, the Terms Sheet governs. This Annex operationalises the rules established there.

Cross-references in the form “A.x.y” refer to the corresponding section of Annex A. Cross-references to other annexes are by letter (e.g. “Annex B,” “Annex C”).

H.2 The Rising Cumulative Minimum: Definition and Full Schedule

The TRE residency requirement is a cumulative presence obligation, not an annual presence test. There is no year-by-year binary pass/fail. The 90-day figure that appears in the schedule below is the long-run average implicit in the cumulative structure; it is not a per-year requirement.

H.2.1 The Rule

Rising Cumulative Minimum for each Contribution Year = 90 days × the number of completed Contribution Years. A Participating Individual’s actual **Cumulative Presence Days** (total physical presence in New Zealand from commencement of the Elective Period to the end of the relevant Contribution Year) must equal or exceed the Rising Cumulative Minimum at the end of each Contribution Year. [A.8.2]

The total presence obligation over the full 16-year Elective Period is 1,440 days (90 × 16). This is approximately 24.7% of the total Elective Period, well below the 183-day threshold that would risk triggering dual tax residency in most other jurisdictions.

H.2.2 Full 16-Year Schedule

Year	Rising Cumulative Minimum (days)	Implied Annual Average (days/yr)
1	90	90
2	180	90
3	270	90
4	360	90
5	450	90
6	540	90
7	630	90
8	720	90
9	810	90
10	900	90
11	990	90

12	1,080	90
13	1,170	90
14	1,260	90
15	1,350	90
16	1,440	90

The schedule is linear and predictable. A Participating Individual can, at any point during the Elective Period, calculate their precise cumulative obligation and surplus position by simple arithmetic. No discretionary assessment by IRD is involved.

H.3 Surplus Carry-Forward and the Cumulative Architecture

Surplus Presence Days = actual Cumulative Presence Days minus the Rising Cumulative Minimum at the end of any Contribution Year. Surplus carries forward automatically and indefinitely. There is no administrative election required to preserve surplus. There is no expiry at any point during the Elective Period. There is no ceiling on day accumulation. [A.8.3]

The cumulative architecture is the mechanism by which the regime accommodates the travel patterns of globally mobile individuals without compromising the political imperative that participants maintain a genuine and sustained connection with New Zealand. A participant who spends 300 days in New Zealand in each of the first two Contribution Years accumulates a surplus of 420 days—sufficient to absorb four consecutive years of complete absence without triggering lapse.

H.3.1 Extended Scenario: The 300/300/0/0/0/0/300 Pattern

The following table demonstrates how the surplus carry-forward operates across a seven-year window including four consecutive years of zero presence in New Zealand.

Year	Days Present	Cumulative Days	Rising Min	Surplus / (Deficit)	Lapse?
1	300	300	90	+210	No
2	300	600	180	+420	No
3	0	600	270	+330	No
4	0	600	360	+240	No
5	0	600	450	+150	No
6	0	600	540	+60	No
7	300	900	630	+270	No

Table note: Four consecutive years of complete absence (years 3–6) are absorbed entirely by the surplus accumulated in years 1 and 2. The participant remains compliant throughout. At the end of year 6, the surplus has narrowed to 60 days; a further year of zero presence would trigger lapse at year-end (Cumulative 600 < Rising Minimum 630). The participant's return of 300 days in year 7 restores the surplus to 270 days.

H.3.2 Extended Scenario: Steady 120-Day Pattern

A participant who spends 120 days per year in New Zealand throughout the Elective Period accumulates a growing surplus. This scenario represents a participant who divides their time between New Zealand and one or two other jurisdictions, spending roughly one-third of each year in New Zealand—comfortably below the 183-day threshold in most other jurisdictions.

Year	Days Present	Cumulative Days	Rising Min	Surplus	Lapse?
1	120	120	90	+30	No
2	120	240	180	+60	No
3	120	360	270	+90	No
4	120	480	360	+120	No
5	120	600	450	+150	No
6	120	720	540	+180	No
7	120	840	630	+210	No
8	120	960	720	+240	No
9	120	1080	810	+270	No
10	120	1200	900	+300	No
11	120	1320	990	+330	No
12	120	1440	1,080	+360	No
13	120	1560	1,170	+390	No
14	120	1680	1,260	+420	No
15	120	1800	1,350	+450	No
16	120	1920	1,440	+480	No

At 120 days per year, the participant accumulates 30 surplus days per year. By the end of year 16, cumulative presence is 1,920 days against a minimum of 1,440—a surplus of 480 days. This participant could miss an entire year's presence at any point in the middle of the term and remain comfortably compliant.

H.3.3 Minimum Viable Pattern: Exactly 90 Days Per Year

A participant who spends exactly 90 days per year in New Zealand accumulates zero surplus at every measurement point. This is the minimum compliant pattern. Any shortfall in any single year—even by one day—would trigger lapse at year-end with no surplus buffer to absorb it. This pattern is technically compliant but operationally risky, and official guidance should advise participants to maintain a surplus buffer.

H.4 Day Counting Rules

Day of presence means any calendar day on which the Participating Individual is physically present in New Zealand at any time. Arrival and departure days each count as a full day of presence. [A.8.5]

Days not counted: Days spent in New Zealand's territorial waters or airspace in transit, without clearing New Zealand customs, do not count as days of presence. Days of physical presence during the Transitional Period (years 1–4 of NZ tax residency) do not count toward the Elective Period Rising Cumulative Minimum. The cumulative count begins on the first day of Contribution Year 1 (the first day of the fifth income year of NZ tax residency). [A.8.5]

H.4.1 Evidentiary Standard

The recommended evidentiary model is self-certification: participants certify their cumulative presence days in their annual TRE Annual Contribution declaration. IRD may request verification by reference to passport records (entry and exit stamps, electronic immigration records held by Immigration New Zealand). [A.8.5]

The self-certification model is consistent with the existing approach to tax residency determination under section YD 1 of the Income Tax Act 2007, where taxpayers self-assess their residency status based on their own presence records. IRD's ability to verify against Immigration NZ records provides a robust audit backstop without imposing an annual administrative burden on participants or on IRD.

H.4.2 Interaction with the Transitional Period

Physical presence during the Transitional Period (years 1–4) has no bearing on the Rising Cumulative Minimum calculation. A participant who spends 365 days per year in New Zealand during the Transitional Period receives no presence day credit toward the Elective Period obligation. The cumulative clock starts at zero on the first day of Contribution Year 1.

This design is deliberate: the Transitional Period operates under existing NZ tax law without modification. TRE's residency mechanics apply exclusively to the Elective Period. The separation ensures there is no interaction between the transitional tax resident concessions and the TRE presence obligation.

H.5 Lapse Trigger Mechanics

H.5.1 The Single Lapse Condition

Lapse is triggered automatically if, at the end of any Contribution Year, the Participating Individual's Cumulative Presence Days are less than the Rising Cumulative Minimum for that year. [A.9.2]

Three features of this trigger are critical for legislative drafting:

(a) Year-end measurement only. Intra-year deficits do not trigger lapse. A participant who has accumulated zero days of presence by 30 June of a Contribution Year is not in lapse—the measurement occurs only at year-end (31 March for a standard NZ income year). This eliminates intra-year monitoring and simplifies IRD's compliance function to a single annual check per participant.

(b) Automatic operation by force of law. Lapse occurs without any act by IRD. IRD's role is to record the lapse event and notify the participant. There is no "decision" to lapse a participant—the legislation operates on the factual question of whether cumulative days are below the minimum at year-end. This design protects IRD from challenges on the exercise of discretion.

(c) No force majeure or hardship discretion. The legislation must not provide for IRD to waive lapse on hardship, medical, or force majeure grounds. The cumulative surplus carry-forward architecture provides sufficient buffer for any reasonable disruption. A participant who has maintained a surplus of even 90 days can absorb an entire year of inability to travel to New Zealand without triggering lapse. The design trades discretionary flexibility for certainty—both for the participant and for the Crown. [A.9.2]

H.5.2 Lapse Date

The **Lapse Date** is the last day of the Contribution Year in which the lapse trigger is met. This date determines the boundary between the TRE period and the period of standard NZ tax rules, and governs the treatment of the Annual Contribution for the lapse year. [A.9.3]

H.5.3 Annual Contribution in the Lapse Year

The full Annual Contribution for the lapse year is payable. There is no pro-rata reduction and no refund of contributions already paid. This rule reflects the design principle that lapse is a consequence of the participant's failure to maintain the Rising Cumulative Minimum—the regime was available for the full year, and the full contribution is due. [A.9.4]

H.5.4 Post-Lapse Tax Treatment

From the first day of the income year immediately following the Lapse Date, the Participating Individual's foreign income is taxable under standard New Zealand rules (provided the individual remains a New Zealand tax resident). The TRE election is spent. There is no mechanism to revive, extend, or re-elect. The election window was coextensive with the Transitional Period; by the time any lapse could occur (the earliest possible lapse is the end of Contribution Year 1, i.e. the end of the participant's fifth year of NZ tax residency), the window has long since permanently closed. [A.9.4, A.9.6]

H.5.5 WMAC Credit Forfeiture on Lapse

Any WMAC Credits accumulated but not yet applied at the Lapse Date are forfeited. Credits cannot be applied against post-lapse NZ tax obligations or against any non-TRE tax obligation. They cannot be transferred, monetised, or otherwise preserved. [A.9.4]

This forfeiture rule creates a natural incentive for participants to apply credits as they accumulate rather than hoarding them for application late in the Elective Period. Official guidance should draw this consequence to participants' attention.

H.6 Post-Lapse Notification

IRD must issue a formal post-lapse notification to the Participating Individual. This notification records the consequences of a legal event that has already occurred by operation of law. It is administrative in character—it is not a "decision" and is not subject to the disputes provisions of the Tax Administration Act 1994. [A.9.5]

H.6.1 Prescribed Content of Post-Lapse Notification

The post-lapse notification must contain each of the following elements:

Element	Content
Confirmation of lapse	Statement that the Participating Individual's TRE election has lapsed by operation of law
Lapse Date	The last day of the Contribution Year in which lapse was triggered
Completed Contribution Years	Number of full Contribution Years completed before lapse
Annual Contribution — lapse year	Confirmation that the full Annual Contribution for the lapse year is payable; amount outstanding (if any)
Post-lapse tax obligations	Statement that foreign income from the first day of the following income year is taxable under standard NZ rules
WMAC Credit forfeiture	Amount of WMAC Credits forfeited; statement that credits are extinguished and non-recoverable
Standard return obligation	Reminder that standard NZ income tax return obligations (including disclosure of foreign income) apply from the post-lapse income year

H.6.2 Disputing the Factual Basis of Lapse

A participant who contends that their Cumulative Presence Days did not fall below the Rising Cumulative Minimum may challenge through the standard disputes process under the Tax Administration Act 1994, by reference to presence records (passport records, Immigration NZ data). The burden of proof falls on the participant to demonstrate that the factual predicate for lapse was not met. [A.9.5]

H.7 Voluntary Withdrawal: Mechanics and Consequences

H.7.1 Notice Requirement

A Participating Individual may withdraw from TRE at any time during the Elective Period by giving 90 days' written notice to Inland Revenue in the prescribed form. No substantive grounds are required—withdrawal is available for any reason. [A.10.1, A.10.2]

H.7.2 Prescribed Content of Withdrawal Notice

Element	Content
Participant identification	Full legal name, NZ IRD number, Election Certificate reference number
Intended withdrawal date	Date not less than 90 days after the date of notice
Confirmation of intent	Unequivocal statement that the participant intends to withdraw from TRE
WMAC Credit balance acknowledgement	Acknowledgement that accumulated unapplied WMAC Credits will be forfeited on the withdrawal date
Signature	Personal signature of the Participating Individual (not an authorised representative)

IRD must acknowledge receipt within 10 working days and confirm the withdrawal date. If the date specified is less than 90 days from receipt, the withdrawal takes effect on the 90th day after receipt. [A.10.2]

H.7.3 Withdrawal Date Consequences

The withdrawal date is the date on which the TRE election ceases. It may fall at any point in a Contribution Year—it is not constrained to year-end. It determines cessation of the Annual Contribution obligation, commencement of standard NZ rules on Qualifying Offshore Income, forfeiture of unused WMAC Credits, and the end of grandfathering protection. [A.10.3]

H.7.4 Pro-Rata Annual Contribution in the Withdrawal Year

The Annual Contribution for the withdrawal year is calculated on a pro-rata basis: the full-year Total TRE Obligation multiplied by the fraction of the Contribution Year elapsed before the withdrawal date, less any QGI reduction and WMAC Credits applied up to that date. Any overpayment of provisional tax instalments is refundable under standard overpayment provisions. [A.10.4]

Withdrawal Point	Fraction Elapsed	Pro-Rata AC (NZD, single, launch)	Refundable if Paid in Full
End of Q1 (day 91)	24.9%	149,589	450,411
End of Q2 (day 182)	49.9%	298,904	301,096
End of Q3 (day 273)	74.8%	448,767	151,233
Year-end (day 365)	100.0%	600,000	Nil

Table note: Calculated at the launch rate of NZD 600,000 for a single participant with no dependents, before QGI reduction or WMAC Credits.

H.7.5 No Exit Charge

No exit charge, penalty, or clawback applies on voluntary withdrawal. The regime is designed to be attractive by its terms, not coercive by its exit conditions. [A.10.1]

H.7.6 WMAC Credit Forfeiture on Withdrawal

Accumulated WMAC Credits not applied at the withdrawal date are forfeited. Credits cannot be applied against post-withdrawal NZ tax obligations, transferred, monetised, or otherwise preserved. Participants considering withdrawal should be advised to apply available credits before giving withdrawal notice to the extent possible. [A.10.5]

H.7.7 No Re-Election Following Withdrawal

A person who has voluntarily withdrawn may not re-elect. The election window is coextensive with the Transitional Period; by the time any withdrawal is possible (the earliest point is the commencement of Contribution Year 1), the window has permanently closed. This consequence must be clearly communicated in official guidance. [A.10.7]

H.7.8 Lapse vs. Voluntary Withdrawal: Comparison

Feature	Lapse	Voluntary Withdrawal
Trigger	Automatic — cumulative presence deficit at year-end	Elected — 90 days' written notice
Annual Contribution — final year	Payable in full for the lapse year	Pro-rata to withdrawal date
WMAC Credits	Forfeited at Lapse Date	Forfeited at withdrawal date
Post-event tax treatment	Standard NZ rules from income year after Lapse Date	Standard NZ rules from withdrawal date
Re-election	Not possible	Not possible
Exit charge	None	None
Notification	IRD issues post-lapse notification (administrative)	IRD acknowledges and confirms withdrawal date

The most significant operational distinction is the treatment of the final year's Annual Contribution: lapse attracts the full-year obligation; voluntary withdrawal attracts only a pro-rata obligation calculated to the withdrawal date. Participants whose surplus has eroded to the point where lapse is a realistic prospect at the coming year-end may find it financially preferable to give voluntary withdrawal notice before year-end, thereby converting a full-year obligation into a pro-rata one.

H.8 Lapse Upon Death

A Participating Individual's TRE election lapses with effect from the date of death. The Annual Contribution for the year of death is payable on a pro-rata basis, calculated to the date of death, consistent with the voluntary withdrawal methodology in section A.10.4. [A.11.7]

Unused WMAC Credits at the date of death are forfeited. Credits do not form part of the estate, cannot be applied by the estate against any tax liability (whether TRE or otherwise), and cannot be transferred to any other person.

Eligible Dependents do not acquire independent TRE participation rights upon the death of the Participating Individual. Dependent Contribution obligations cease from the date of death. The dependents' own tax positions revert to standard NZ rules from that date.

H.9 Election Process: Administrative Guide for IRD

H.9.1 The Election Window

The election window is the Transitional Period: the first four income years of New Zealand tax residency. It opens on the first day of the first income year and closes on the last day of the fourth income year. An election notice received after the close of the window is of no effect. [A.7.2]

The election window is a hard boundary. There is no provision for late election, no IRD discretion to accept an out-of-time election, and no ability to extend the window by Ministerial or administrative action short of legislative amendment. This design produces certainty for the Crown (every participant must elect within a defined period) and incentivises early decision-making by prospective participants. [A.7.2]

H.9.2 Prescribed Content of the Election Notice

Element	Detail
Participant identification	Full legal name, date of birth, NZ IRD number, passport number and issuing country
NZ tax residency commencement	Date of first NZ tax residency in current period; basis of determination (183-day rule or PPOA)
Transitional tax resident confirmation	Declaration of qualifying status under section HC 1 at date of notice
Track selection	US Track (Schedule 1) or Global Track (Schedule 2)
Eligible Dependent schedule	Full legal name, date of birth, NZ IRD number (if held) for each dependent
Qualifying Investment declaration	Declaration that threshold is satisfied, with evidence; nil declaration acceptable at launch
Source-of-wealth declaration	Declaration and documentation under A.3.7
Authorised representative	Name and contact details, if applicable
Signature	Personal signature of the participant (required; electronic lodgement with adequate identity verification acceptable)

H.9.3 IRD Acceptance Process

Upon receipt of a complete election notice, IRD must perform each of the following verification steps [A.7.4]:

(a) **Verify NZ tax residency** at the date of the election notice, by reference to section YD 1 (183-day rule or permanent place of abode rule).

(b) **Verify transitional tax resident status** and confirm that the Transitional Period has not expired at the date of the notice, by reference to section HC 1.

(c) **Confirm the prior non-residence requirement:** the applicant must not have been a NZ tax resident at any time in the 10 income years immediately preceding the current residency period.

(d) **Confirm Qualifying Investment evidence** is consistent with the applicable threshold (nil at launch; NZD 5,000,000 or NZD 10,000,000 at subsequent stages).

(e) **Complete or confirm source-of-funds and source-of-wealth verification** consistent with the AML/CFT Act 2009, coordinating with the Financial Intelligence Unit and Immigration NZ as required.

H.9.4 Processing Targets

The target processing time is 20 working days from receipt of a complete and valid notice. Where additional SOF/SOW verification is required, the target extends to 40 working days. If IRD proposes to decline the election, it must notify the participant in writing, stating the grounds and providing an opportunity to respond. A final decline is subject to the standard disputes and challenge provisions of the Tax Administration Act 1994. [A.7.4]

H.9.5 Election Certificate Issuance

Upon acceptance, IRD issues an Election Certificate recording all grandfathered parameters and election terms. The Election Certificate has standing equivalent to a binding ruling for TRE planning purposes across the Elective Period. The full prescribed content of the Election Certificate is set out in section A.16 of Annex A. [A.7.7]

H.10 Election Date: The Lodgement-Date Rule

The Election Date is the date on which a complete and valid election notice is ***lodged*** with Inland Revenue. It is expressly not the date of IRD's acceptance or processing of that notice. [A.7.5]

The Election Date determines every grandfathered parameter: the Principal Contribution rate, the Dependent Contribution rate, the Applicable Zero-Fee Level, and the Qualifying Investment threshold. These parameters are fixed as at the Election Date for the full 16-year Elective Period.

H.10.1 Operational Implications

The lodgement-date rule means that IRD processing delays do not affect the participant's grandfathered position. A Participating Individual who lodges a complete and valid election notice before the end of their Transitional Period has satisfied the election window requirement, regardless of how long IRD subsequently takes to process and accept the notice. [A.7.5]

This protection applies only where the election notice is complete and valid at the time of lodgement. If IRD declines on substantive grounds (any of the five eligibility conditions not met at the time of lodgement), the decline stands regardless of when in the processing cycle it occurs. Delay in processing is never grounds for denial, and never affects the Election Date used to determine grandfathered parameters. [A.7.5]

H.10.2 Systems Requirements

IRD's systems must implement the following to give effect to the lodgement-date rule:

(a) Timestamped receipt. Every election notice lodged must be timestamped at the point of receipt (whether lodged by post, in person, or electronically). The timestamp is the Election Date unless the notice is subsequently found to be incomplete or invalid at lodgement.

(b) Queue management. Processing queues must record the lodgement date separately from the processing date and the acceptance date. The lodgement date must be the date recorded on the Election Certificate as the Election Date.

(c) Repricing Event buffer. Where a Repricing Event is imminent, IRD should anticipate a surge in lodgements from prospective participants seeking to lock in the pre-repricing rate. Systems capacity must be sufficient to timestamp receipts accurately during peak periods. Any queue backlog must not alter the Election Date recorded for a properly lodged notice.

H.11 Track Change by Notice

A Participating Individual may change their elected Track (US Track to Global Track, or Global Track to US Track) at any time during the Elective Period by written notice to Inland Revenue. [A.2.2]

H.11.1 Timing of Effect

A Track change takes effect from the first day of the Contribution Year following the date on which the notice is received and accepted by IRD. It cannot take effect mid-year. The participant remains on their original Track for the balance of the Contribution Year in which the notice is lodged. [A.2.2]

H.11.2 Parameters Not Affected

A Track change does not affect the Grandfathered Rate, the Grandfathered Zero-Fee Level, the Qualifying Investment threshold, or any other grandfathered parameter. These remain fixed at the original Election Date settings regardless of any Track change. [A.2.2, A.4.3, A.11.3]

H.11.3 Specific Triggering Circumstances

The Track change mechanism specifically accommodates the following scenarios:

(a) **A country introduces citizenship-based taxation during the Elective Period.** A Global Track participant whose country of citizenship or prior residence introduces citizenship-based taxation requires a move to the US Track (or equivalent cap-based mechanism) to preserve the creditability of their NZ tax liability under the new home-country rules.

(b) **A country repeals citizenship-based taxation during the Elective Period.** A US Track participant whose country of citizenship or prior residence repeals citizenship-based taxation may wish to move to the Global Track to take advantage of the privacy architecture and simplified filing obligations.

(c) **US citizenship renunciation following IRC §877A event.** A US Track participant who renounces US citizenship during the Elective Period (triggering the §877A exit tax on the US side) is no longer subject to citizenship-based taxation and may transfer to the Global Track. Full mechanics of the §877A interaction are set out in Annex B. [A.5.6]

H.11.4 Prescribed Notice Form

Inland Revenue may prescribe the form and content of a Track change notice. The notice should require at minimum: participant identification (name, IRD number, Election Certificate reference), current Track, requested Track, effective date (which will be the first day of the following Contribution Year), and the reason for the change (to establish the factual basis). [A.2.2]

H.12 IRD Systems Requirements: Presence Day Tracking

IRD must maintain a cumulative presence day record for each Participating Individual throughout the Elective Period. The following systems capabilities are required.

H.12.1 Cumulative Running Total

The core data element is a single integer: the participant's Cumulative Presence Days as at the most recent annual certification. This is updated once per year upon receipt of the participant's annual presence day record (lodged as part of the TRE Annual Contribution declaration at the standard filing date). [A.6.5]

H.12.2 Year-End Compliance Check

At the end of each Contribution Year, the system must compare the participant's Cumulative Presence Days against the Rising Cumulative Minimum for that year. If the cumulative total is below the minimum, the system must flag the participant for automatic lapse processing and trigger the post-lapse notification workflow described in section H.6 above.

H.12.3 Warning Threshold

The system should generate an administrative alert when a participant's surplus falls below a specified warning threshold. A recommended threshold is 90 days (equivalent to one year's implied average obligation). This alert is for IRD's internal case management purposes—it does not create any obligation to notify the participant, although doing so as a matter of courtesy would be consistent with good administrative practice.

H.12.4 Participant-Facing Dashboard

A participant-facing presence day dashboard should be made available through myIR (or the equivalent secure online portal). The dashboard should display: the participant's Cumulative Presence Days as at the most recent annual certification; the current Rising Cumulative Minimum; the current surplus or deficit; the projected Rising Cumulative Minimum for the next three Contribution Years; and a simple indicator of compliance status.

The dashboard is a transparency and service feature. It does not constitute a binding representation by IRD as to the participant's compliance status—IRD's formal compliance determination occurs at year-end only.

H.12.5 Audit and Verification

IRD may verify declared presence days by reference to Immigration New Zealand's electronic records of entry and exit. The self-certification model does not preclude audit. Where a discrepancy exists between declared days and Immigration NZ records, the participant bears the burden of demonstrating that their declared presence is accurate (for example, by reference to multiple passport records where the participant holds more than one travel document). [A.8.5]

H.13 Interaction with the Existing Tax Residency Determination Framework

The TRE Rising Cumulative Minimum is an additional, TRE-specific residency condition. It does not replace, modify, or interact with the standard New Zealand tax residency tests under section YD 1 of the Income Tax Act 2007 (the 183-day rule and the permanent place of abode rule). A Participating Individual must satisfy both the standard tax residency test and the Rising Cumulative Minimum throughout the Elective Period.

H.13.1 Scenario: Participant Satisfies Rising Cumulative Minimum but Fails General Residency Test

This scenario is unlikely in practice but must be addressed in the legislation. A Participating Individual who spends, for example, exactly 90 days per year in New Zealand may satisfy the Rising Cumulative Minimum but may not satisfy the 183-day limb of the general residency test. Whether they remain a New Zealand tax resident depends on whether the permanent place of abode (PPOA) test is met.

If the participant ceases to be a New Zealand tax resident under section YD 1 (because neither the 183-day test nor the PPOA test is met), the TRE election does not of itself preserve tax residency. The participant would cease to be a New Zealand tax resident under general law, and the TRE election would lapse at the end of the Contribution Year in which tax residency ceased (assuming cumulative presence also falls below the minimum at that point) or remain technically in force but practically inoperative until tax residency is restored.

Legislative drafting should address this scenario explicitly. The recommended approach is to provide that the TRE election automatically lapses if the Participating Individual ceases to be a New Zealand tax resident during the Elective Period, regardless of whether the Rising Cumulative Minimum has been met.

H.13.2 Scenario: Participant Fails Rising Cumulative Minimum but Satisfies General Residency Test

This scenario is straightforward. A Participating Individual who remains a New Zealand tax resident (for example, by maintaining a permanent place of abode in New Zealand) but whose Cumulative Presence Days fall below the Rising Cumulative Minimum triggers lapse under section A.9.2. The participant remains a New Zealand tax resident for general income tax purposes—their foreign income simply reverts to the standard NZ tax treatment from the income year following the Lapse Date.

H.13.3 The 183-Day and 90-Day Interaction

The 90-day implied annual average under TRE is deliberately calibrated below 183 days. This design choice ensures that TRE participants are not forced to spend so much time in New Zealand that they risk triggering tax residency in other jurisdictions under those jurisdictions' own 183-day rules. The combination of PPOA-based New Zealand tax residency and a 90-day average presence requirement allows participants to maintain genuine connection with New Zealand while preserving the ability to spend the majority of each year in other locations without creating multi-jurisdictional tax residency conflicts.

Official guidance should make this point explicitly: the TRE residency requirement is designed to work within the international tax residency architecture, not against it.

ANNEX I: Academic Literature: Tax Elasticity Evidence

I.1 Introduction and Purpose

This Annex presents the peer-reviewed empirical evidence on the responsiveness of high-income and high-wealth individuals to differences in tax regimes across jurisdictions. The four studies surveyed here were selected because each addresses a dimension of tax-induced mobility that bears directly on TRE's design rationale: cliff-driven departure behaviour, the mobility of the super-rich in response to preferential regime withdrawal, the cross-border migration elasticity of top earners, and the location sensitivity of high-value human capital to personal income tax rates.

The literature establishes three propositions that collectively underpin the TRE case:

First, high-income and high-wealth individuals are demonstrably responsive to tax differentials in their location decisions. Estimated migration elasticities with respect to the net-of-tax rate range from approximately 1.0 to 2.0 for mobile foreign workers, and substantially higher for wealth-based measures among the super-rich.

Second, tax-regime thresholds and cliffs — points at which a taxpayer's liability changes discontinuously — produce sharp, empirically identifiable departure or relocation responses. New Zealand's four-year transitional residency cliff is precisely such a threshold, and its predicted behavioural consequences are consistent with the evidence presented here.

Third, preferential tax regimes designed for foreign high-net-worth residents attract and retain measurable numbers of participants. When such regimes are withdrawn or materially degraded, a significant proportion of affected taxpayers relocate. TRE's 16-year grandfathered term is designed to provide the certainty that prevents the kind of sudden-withdrawal departure documented in the Swiss evidence.

Each study is presented below with its full citation, core finding, methodological approach, caveats, and specific relevance to TRE's design parameters.

I.2 Cliff-Driven Departure Behaviour: The Swiss Foreigners' Tax Threshold

Full Citation

Schmidheiny, Kurt, and Michaela Slotwinski. "Tax-Induced Mobility: Evidence from a Foreigners' Tax Scheme in Switzerland." *Journal of Public Economics* 167 (2018): 293–324. doi:10.1016/j.jpubeco.2018.04.002.

Core Finding

Switzerland's federal system applies a special tax regime to foreign employees: for the first five years of residence, foreigners are taxed at source at a flat withholding rate, after which they transition to the standard progressive cantonal and municipal income tax schedule. Schmidheiny and Slotwinski exploit this deterministic five-year threshold to study how foreign residents respond when their tax burden changes simultaneously across all Swiss municipalities at a single, predictable point in time.

The authors find statistically significant location-choice and mobility responses at the five-year threshold. Foreign residents approaching the transition point are more likely to relocate to low-tax municipalities, and those residing in high-tax municipalities are more likely to leave. The effects are concentrated among higher-income foreigners — precisely the population whose tax differential across municipalities is largest. The implied migration elasticities are positive but surrounded by wide confidence intervals, reflecting the heterogeneity of responses across income groups and municipal tax differentials.

Methodology

The study employs a fuzzy regression discontinuity design (RDD) using the five-year duration threshold as the running variable. The institutional setting generates a simultaneous change in all local tax rates at a deterministic point in duration of stay, providing plausibly exogenous variation. The analysis uses Swiss Structural Survey data merged with municipality-level tax rates, covering the period 2010–2014. The fuzzy design accounts for imperfect compliance with the threshold (some foreigners transition early or late depending on cantonal implementation). Standard errors account for sampling weights and bandwidth selection.

Methodological Caveats

The estimates are obtained in a within-country context where relocation frictions are substantially lower than in cross-border settings — a change of municipality does not require a change of language, legal system, or social network. The authors note, and subsequent literature confirms, that within-country elasticities should be interpreted as an upper bound on what might be observed in cross-country migration. Additionally, the confidence intervals on the elasticity estimates are wide, and the point estimates are sensitive to bandwidth choice in the RDD specification. The study covers employed foreigners subject to source taxation; it does not directly observe the behaviour of the high-net-worth retiree or investment-income population most relevant to TRE.

Relevance to TRE

The direct relevance is structural rather than parametric. New Zealand's four-year transitional tax residency regime creates an analogous cliff: for the first four years, a newly arrived tax resident is exempt from New Zealand tax on most foreign-sourced income; at the end of year four, full worldwide taxation applies at standard New Zealand rates (up to 39 per cent on personal income, plus FIF obligations on offshore portfolio holdings). The behavioural prediction from Schmidheiny and Slotwinski is that a deterministic, time-bound tax threshold will produce relocation responses concentrated among those for whom the post-threshold tax burden is highest — which, in the New Zealand context, is precisely the HNWI population with large offshore portfolios.

TRE eliminates this cliff by replacing the discontinuous transition from zero to full worldwide taxation with a 16-year grandfathered flat contribution. The Swiss evidence provides the theoretical and empirical basis for predicting that removal of the cliff will convert short-duration visitors (who would otherwise depart before the threshold) into long-term residents.

I.3 Mobility of the Super-Rich: Regime Withdrawal in Swiss Cantons

Full Citation

Baselgia, Enea, and Isabel Z. Martínez. "Mobility Responses to Special Tax Regimes for the Super-Rich: Evidence from Switzerland." *The Economic Journal* 135, no. 668 (May 2025): 1388–1409. doi:10.1093/ej/ueae101.

Core Finding

Swiss cantons have historically offered wealthy foreign residents who do not work in Switzerland an alternative to standard income and wealth taxation: *Besteuerung nach dem Aufwand* (expenditure-based taxation, also known as the *forfait fiscal*), under which the tax base is the taxpayer's living expenses rather than their true income and wealth. Between 2009 and 2014, several Swiss cantons voted to abolish this preferential regime in popular referenda. Baselgia and Martínez exploit these staggered abolitions to estimate the causal effect of regime withdrawal on the location choices of the super-rich.

The central result is that cantons which repealed expenditure-based taxation experienced an approximately 43 per cent reduction in their stock of super-rich foreign residents relative to cantons that retained the regime. No comparable response was observed among Swiss-born super-rich residents, who were unaffected by the policy change. This constitutes a clean difference-in-differences identification: the treated group (foreign super-rich) responded; the control group (domestic super-rich in the same cantons) did not.

The implied income tax mobility elasticities range between 1.4 and 1.5; the wealth tax mobility elasticities are substantially larger, between 28.4 and 32.2, reflecting the very large tax differentials experienced by the affected population on a wealth-weighted basis.

Methodology

The study uses a novel rich-list dataset compiled from the annual BILANZ rankings of the 300 wealthiest individuals and families in Switzerland, covering 1999–2020. Because Swiss tax secrecy prevents access to administrative data on expenditure-based taxpayers, rich-list data provide the only available panel tracking the super-rich at the individual level across cantons and years. The identification strategy combines standard difference-in-differences models with event studies and a spatial equilibrium approach following Agrawal and Foremny (2019). The staggered timing of cantonal abolitions across multiple cantons strengthens identification by ruling out contemporaneous confounders.

Methodological Caveats

The rich-list dataset captures only the approximately 150 foreign super-rich who appear in the BILANZ 300 in any given year. The full population of expenditure-based taxpayers in Switzerland is approximately 4,500–5,000 individuals; the study observes only the upper tail. The authors cannot observe within-Switzerland relocation (a super-rich resident who moves from an abolishing canton to a retaining canton may not be captured as a departure), which may bias the estimated departure effect downward. The within-country setting again implies lower relocation frictions than a cross-country context, though the super-rich population studied here — wealthy foreigners who relocated internationally to reside in Switzerland in the first instance — has already demonstrated cross-border mobility.

Relevance to TRE

This study provides the single most directly applicable evidence for TRE's design. The Swiss expenditure-based taxation regime is structurally analogous to the flat-fee Global Track of TRE: a fixed contribution in lieu of standard income and wealth taxation, available to foreign residents who do not earn active income in the jurisdiction. The finding that withdrawal of such a regime causes a 43 per cent departure of the affected population is the empirical basis for two TRE design decisions:

(a) The counterfactual argument. If New Zealand does not offer a post-transitional preferential regime, the predicted outcome is departure at the four-year cliff — consistent with the Swiss evidence that removal of a preferential regime causes the affected population to leave. Every NZ-TRE participant retained beyond year four represents revenue that the counterfactual (no regime) would not generate.

(b) The grandfathering commitment. The Swiss cantons that abolished expenditure-based taxation did so by popular referendum with relatively short notice. The resulting departure was swift and substantial.

TRE's grandfathering architecture — 16 years at the election-date rate, overridable only by an explicit Act of Parliament — is designed to provide the contractual certainty that prevents anticipatory departure by participants who might otherwise fear a mid-term policy reversal. The Swiss evidence demonstrates that the absence of such certainty produces exactly the outcome New Zealand must avoid.

I.4 International Migration of Top Earners: The European Football Market

Full Citation

Kleven, Henrik Jacobsen, Camille Landais, and Emmanuel Saez. "Taxation and International Migration of Superstars: Evidence from the European Football Market." *American Economic Review* 103, no. 5 (August 2013): 1892–1924. doi:10.1257/aer.103.5.1892.

Core Finding

The authors study international migration patterns among professional football players in 14 European countries over the period 1985–2008, exploiting three sources of tax variation: the 1995 Bosman ruling (which liberalised the player transfer market across the EU), country-level top tax rate reforms, and special preferential tax schemes for foreign athletes introduced in Spain (2004) and Denmark (1991).

The headline result is an elasticity of the number of foreign players in a country with respect to the net-of-tax rate of approximately 1.0 — meaning that a 1 per cent increase in the fraction of income retained after tax is associated with a 1 per cent increase in the stock of foreign players. The elasticity for domestic players is substantially smaller (approximately 0.15), consistent with the expectation that domestic players face higher relocation costs due to social and cultural ties. The authors also document sorting effects: low-tax countries attract higher-ability foreign players, who in turn displace lower-ability domestic players.

Methodology

The analysis combines reduced-form country case studies with multinomial regression models that exploit all sources of tax variation simultaneously. The football market offers a rare opportunity for multi-country micro-level analysis of tax-induced migration, because individual player locations and (in many cases) earnings are publicly observable — unlike administrative tax data, which is not shared across countries. The Bosman ruling provides a plausibly exogenous liberalisation shock that lowers mobility frictions, allowing the authors to compare migration patterns before and after a large reduction in non-tax barriers to movement.

Methodological Caveats

Professional football players are among the most mobile workers in the global economy: their careers are short, their earnings are concentrated in a narrow window, their skills are perfectly transferable across jurisdictions, and their employers operate in a deeply integrated international market. The authors acknowledge, and subsequent work confirms, that the elasticity of approximately 1.0 should be interpreted as an upper bound for international migration responses among all high-income workers. Kleven, Landais, Muñoz, and Stantcheva (2020), in a comprehensive review, note that migration elasticities are not structural parameters but depend on population characteristics, jurisdiction size, and the extent of institutional barriers to relocation. In a companion study using Danish administrative data, Kleven, Landais, Saez, and Schultz (2014) find somewhat larger elasticities (1.5–2.0) for all highly paid foreign workers eligible for Denmark's preferential tax scheme — a population closer, though still not identical, to TRE's target cohort.

Relevance to TRE

The relevance of this study operates at two levels. At the general level, it establishes the foundational empirical result that internationally mobile high earners respond to cross-border tax differentials with elasticities large enough to produce material changes in the distribution of talent and tax revenue across countries. This result has been replicated in multiple subsequent studies and is no longer empirically contested within the public finance literature.

At the design level, the sorting effect is directly pertinent. The finding that low-tax jurisdictions attract disproportionately high-ability participants implies that TRE would not merely attract more participants than the current tax architecture, but would attract participants of higher average wealth and investment capacity. This is consistent with the escalation model: as TRE matures and reprices upward, the participant pool should become progressively more concentrated among the highest-net-worth households — precisely the outcome the programme architecture is designed to produce.

The Danish companion study (Kleven et al. 2014) provides additional support. Denmark's preferential scheme offers foreign high earners a flat 30 per cent tax rate for three years, and the resulting doubling of highly paid foreigners in Denmark demonstrates that a time-limited preferential rate produces large migration responses even when the concession period is short. TRE's 16-year grandfathered term extends this logic: a longer commitment period, combined with rate certainty, should produce a larger and more durable response than the Danish three-year scheme.

I.5 Tax-Driven Mobility of Star Scientists: US State-Level Evidence

Full Citation

Moretti, Enrico, and Daniel J. Wilson. "The Effect of State Taxes on the Geographical Location of Top Earners: Evidence from Star Scientists." *American Economic Review* 107, no. 7 (July 2017): 1858–1903. doi:10.1257/aer.20150508.

Core Finding

Moretti and Wilson study the effect of US state-level personal income tax rates on the geographical location of "star scientists" — highly productive inventors identified through patent records. Using panel data on the location and patenting activity of top scientists across all 50 US states over the period 1977–2010, they estimate the elasticity of the stock of star scientists with respect to the net-of-personal-income-tax rate at approximately 1.8. The elasticity with respect to the net-of-corporate-income-tax rate is approximately 1.9, and the elasticity with respect to the investment tax credit is approximately −1.7.

The combined effect of personal and business tax settings on inventor location is substantial: states with lower personal income taxes, lower corporate income taxes, and more generous R&D incentives attract significantly more top scientific talent. The authors find that the effect operates through both in-migration (attracting scientists from other states) and retention (preventing departure of incumbent scientists).

Methodology

The study constructs an origin-destination pair regression framework in which the dependent variable is the flow of star scientists between every pair of US states in each year. The identification exploits within-state variation in tax rates over time, controlling for origin-state and destination-state fixed effects and for pair-specific time trends. The star scientist sample is drawn from the COMETS patent database and comprises inventors who produce patents in the top 5 per cent of the citation distribution — a population that generates disproportionate economic value. Standard errors are clustered at the state-pair level to account for serial correlation within migration corridors.

Methodological Caveats

The US interstate context involves lower institutional barriers to relocation than cross-country migration (no visa requirements, common language, portable professional credentials). Moretti and Wilson's elasticities should therefore be interpreted as an upper bound on what would be observed in a cross-country setting. However, the authors note that US interstate migration involves non-trivial costs including property transactions, spousal employment disruption, and social network dissolution — costs that also apply in the TRE context. The study focuses on scientists whose location decisions are driven partly by proximity to research institutions and industry clusters, introducing a non-tax component to mobility decisions that may not generalise to the investment-income population targeted by TRE.

Relevance to TRE

The importance of this study for TRE is twofold. First, it extends the evidence on tax-driven mobility beyond the uniquely mobile populations studied in the football market. Star scientists are high earners who face meaningful relocation costs, have location-specific professional networks, and yet still respond strongly to tax differentials. This provides more conservative support for the proposition that HNWI households — who typically face lower professional relocation costs than scientists (investment income is location-independent) — will respond to TRE's competitive pricing.

Second, the interaction between personal income taxes and business-environment factors (corporate tax rates, R&D credits) mirrors TRE's combined architecture: a personal flat contribution (analogous to a competitive personal income tax rate) coupled with a qualifying investment requirement and QGI incentive (analogous to corporate/business-environment settings that reward productive capital deployment). The Moretti and Wilson finding that personal and business tax settings operate as complements — the effect of low personal taxes is amplified when business tax settings are also attractive — supports the TRE design decision to pair a competitive annual contribution with meaningful investment incentives.

I.6 Synthesis and Methodological Notes

Summary of Key Elasticity Estimates

Study	Population	Elasticity	Context	Measure
Schmidheiny & Slotwinski (2018)	Foreign employees	Positive (wide CI)	Within-country	Location choice at 5-yr threshold
Baselgia & Martínez (2025)	Super-rich foreigners	1.4–1.5 (income)	Within-country	Stock change after regime repeal
Kleven, Landais & Saez (2013)	Football players	≈1.0 (foreign)	Cross-country	Net-of-tax rate on foreign players
Kleven, Landais, Saez & Schultz (2014)	High-paid foreigners	1.5–2.0	Cross-country	Net-of-avg-tax rate (Denmark scheme)
Moretti & Wilson (2017)	Star scientists	≈1.8	Within-country	Net-of-personal income tax rate

Note: All elasticities are with respect to the net-of-tax rate (1 minus the average or marginal tax rate). "Positive (wide CI)" for Schmidheiny & Slotwinski reflects that the point estimates are positive and significant but confidence intervals are broad due to bandwidth sensitivity. Kleven et al. (2014) is the

Danish companion study to Kleven, Landais & Saez (2013) and is included for completeness as it studies a population closer to TRE's target cohort.

Collective Implications for TRE

The four studies, read together, establish a convergent body of evidence. The key implications for TRE are as follows.

Tax cliffs produce departure. The Schmidheiny and Slotwinski evidence directly predicts the year-four departure behaviour that New Zealand practitioners universally report among transitional tax residents. The prediction is not speculative; it follows from a well-identified empirical design applied to an institutional setting structurally parallel to New Zealand's. TRE's replacement of the cliff with a 16-year graduated regime is the evidence-based response.

Preferential regimes retain; their withdrawal expels. The Baselgia and Martínez finding that regime repeal causes a 43 per cent departure of the affected population provides the strongest available evidence for the counterfactual argument at the centre of the TRE proposal. The comparison is not "flat tax versus full tax"; it is "flat tax versus the population not being present at all." The Swiss cantons that abolished expenditure-based taxation did not convert their super-rich residents into full-rate taxpayers; they lost them. This is the outcome New Zealand will observe if it allows transitional residents to reach the four-year cliff without a post-transitional regime in place.

Elasticities are large enough to justify competitive pricing. Across all four studies, estimated migration elasticities with respect to the net-of-tax rate fall in the range of 1.0 to 2.0 for the populations most comparable to TRE's target cohort. Elasticities of this magnitude mean that a regime offering a materially lower effective tax rate on foreign-sourced income will attract a proportionally larger number of participants than the no-regime counterfactual. At TRE's launch pricing of NZD 600,000 per annum — a rate that represents a substantial discount to the standard New Zealand tax liability on a typical HNWI offshore portfolio — the expected migration response is positive and material.

Sorting favours higher-quality participants. The Kleven, Landais, and Saez sorting result — that lower-tax jurisdictions attract higher-ability individuals disproportionately — implies that TRE's escalation model will not merely retain participants as pricing increases, but will progressively concentrate the participant pool at the upper end of the wealth distribution. This is consistent with the Italian evidence: Italy raised its flat-tax contribution from EUR 100,000 to EUR 300,000 while growing its participant base from 226 to 1,242, demonstrating that repricing can coexist with programme growth when the underlying value proposition is strong.

General Methodological Caveats

Officials should note the following limitations common to the tax-migration literature, which qualify but do not negate the conclusions drawn above.

Within-country versus cross-country elasticities. Three of the four studies (Schmidheiny & Slotwinski, Baselgia & Martínez, Moretti & Wilson) exploit within-country variation, where relocation frictions are lower. Cross-country migration involves additional costs — visa and immigration processes, language barriers, social dislocation, professional network disruption — that would tend to reduce observed elasticities. Kleven, Landais, Muñoz, and Stantcheva (2020), in their comprehensive review of the literature, conclude that within-country estimates should be treated as upper bounds when projecting cross-country responses. However, the TRE target population is not a random sample of taxpayers; it is a self-selected cohort of high-net-worth individuals who have already demonstrated international mobility (by taking up AIP visas, relocating from the UK, or maintaining multi-jurisdictional family structures). For this population, cross-country migration frictions are substantially lower than for the general population, reducing the gap between within-country and cross-country estimates.

Population-specificity of elasticities. Migration elasticities are not structural parameters. They vary with the characteristics of the population studied, the institutional setting, the size of the tax differential, and the degree of policy coordination across jurisdictions. The football-player elasticity of approximately 1.0 is not directly transferable to the investment-income super-rich, nor is the star-scientist elasticity of approximately 1.8. What the literature establishes is the direction and approximate order of magnitude of the response — large, positive, and economically significant — not a precise point estimate applicable to any specific policy context.

Limited evidence on the ultra-high-net-worth population. The TRE target cohort — households with investable offshore wealth measured in tens or hundreds of millions of dollars, for whom investment income dominates employment income — is poorly represented in the existing empirical literature. Baselgia and Martínez come closest, but their data cover only the visible upper tail of the Swiss wealth distribution. No peer-reviewed study has estimated migration elasticities for the global UHNWI population using administrative data, because no jurisdiction publishes such data in a form amenable to causal identification. The industry intelligence produced by Henley & Partners, New World Wealth, and comparable consultancies fills this gap directionally but lacks the methodological rigour of the peer-reviewed studies presented here. TRE's revenue projections should therefore be understood as informed estimates grounded in the best available evidence, not as predictions derived from a directly applicable elasticity parameter.

Supplementary Reference

The following review article provides a comprehensive survey of the tax-migration literature, including discussion of optimal tax design in the presence of mobility responses, and is recommended as background reading for officials evaluating the evidence base:

Kleven, Henrik Jacobsen, Camille Landais, Mathilde Muñoz, and Stefanie Stantcheva. "Taxation and Migration: Evidence and Policy Implications." *Journal of Economic Perspectives* 34, no. 2 (Spring 2020): 119–142. doi:10.1257/jep.34.2.119.

This review synthesises the findings of the primary studies presented above and confirms the consensus conclusion: mobile high-income individuals are significantly responsive to tax differentials in their location decisions, with estimated elasticities that are policy-relevant in magnitude. The review also emphasises that mobility elasticities are endogenous to policy design — a finding that reinforces TRE's design choices, which are specifically intended to reduce relocation frictions (long-duration certainty, grandfathering, residency flexibility) and thereby maximise the migration response.

ANNEX J: Wealth Migration Ambassador Credit (WMAC)

J.1 Purpose and Scope

This annex sets out the complete operational and integrity framework for the Wealth Migration Ambassador Credit (WMAC) scheme established under section A.15 of the TRE Terms Sheet. It is addressed to Inland Revenue and Treasury officials responsible for legislative drafting, system design, and ongoing administration of the scheme.

The WMAC scheme converts every satisfied Participating Individual into a potential recruitment channel for the TRE programme at zero cost to the Crown until a new participant has actually paid their first-year contribution. The governing constraint throughout the scheme's design is **Crown arithmetic integrity**: at no point does the Crown extend credit, forgive revenue, or assume fiscal risk in connection with any WMAC transaction.

The conceptual frame for the scheme is the **letting-agent analogy**. A letting agent who secures a new tenant typically receives the first month's rent as commission; the landlord receives the remaining eleven months in year one and the full rent every subsequent year. The WMAC operates identically: the Crown receives the recruited participant's first-year contribution in full; the Ambassador's credit is applied against the Ambassador's own future Annual Contribution obligations. The Crown's position is never diminished—the credit is a deferral of the Ambassador's own future contributions, funded entirely by the incremental revenue the recruited participant generates.

This annex should be read in conjunction with Annex A (Full TRE Terms Sheet, sections A.15.1–A.15.11), Annex E (Qualifying Growth Investment), and the ordering-of-operations rules in section A.14.8. Where any inconsistency arises between this annex and Annex A, the terms of Annex A govern.

J.2 Ambassador Registration

J.2.1 Eligibility

Any Participating Individual whose TRE election has not lapsed (section A.9) or been withdrawn (section A.10) may register as an Ambassador. There is no minimum participation period: a Participating Individual may register from the Election Date itself. The only eligibility condition is a current, valid TRE election.

J.2.2 Registration Process

Registration is by written notice to Inland Revenue in the prescribed form. Upon receipt of a valid registration notice, Inland Revenue issues a unique referral code to the registrant. The referral code is the sole mechanism by which a referral relationship is established—informal introductions that are not recorded through the referral code system do not generate WMAC Credits under any circumstances.

Inland Revenue must issue the referral code within 10 working days of receipt of a complete registration notice. The prescribed form should require, at minimum:

- Full legal name and NZ IRD number of the registrant
- Election Certificate reference number
- Confirmation that the registrant's election has not lapsed or been withdrawn
- Acknowledgement of the single-level-only restriction (section J.9)
- Acknowledgement of the prohibited relationship rules (section J.10)
- Acknowledgement that WMAC Credits may only be applied against TRE Annual Contribution obligations (section J.8)

J.2.3 Referral Code Characteristics

The referral code is personal to the Ambassador. It is non-transferable and non-assignable. Each Ambassador receives exactly one code; there is no provision for multiple codes per Ambassador. The code serves as the unique identifier linking the Ambassador to any Recruited Participant who references it in their election notice.

Inland Revenue should assign referral codes in a format that is sufficiently long to prevent guessing but sufficiently short to be communicated orally between prospective participants (recommended: alphanumeric, 8–12 characters, case-insensitive).

J.2.4 Deactivation

An Ambassador whose TRE election lapses or is voluntarily withdrawn ceases to be an Ambassador from the Lapse Date or withdrawal date, as applicable. Upon deactivation:

- The referral code is deactivated and may not be referenced in any subsequent election notice.
- Any election notice lodged after the deactivation date that references the deactivated code is valid as an election, but no WMAC Credit is generated for the former Ambassador.
- All accumulated and unapplied WMAC Credits held by the former Ambassador are forfeited (section J.12).
- Credits already applied in prior Contribution Years are not clawed back.

J.3 Referral Mechanism and the Payment-Timing Condition

J.3.1 Establishing a Referral

A referral relationship is established when a prospective TRE participant includes an Ambassador's referral code in the prescribed field of their election notice lodged with Inland Revenue under section A.7. The referral code must be present in the election notice at the time of lodgement. There is no mechanism to add, amend, or substitute a referral code after lodgement.

Where an election notice does not reference any referral code, no WMAC Credit is generated regardless of any informal introduction the Ambassador may have made. This is a bright-line rule admitting no exceptions.

J.3.2 The Payment-Timing Condition

The WMAC Credit is **not** issued upon the Recruited Participant's election. It is issued only when the Recruited Participant has paid their first-year Annual Contribution in full to Inland Revenue. This is the single most important integrity feature of the WMAC scheme: it ensures the Crown has received cash before any credit obligation arises.

The payment-timing condition operates as follows:

- **Step 1 — Election lodged.** The Recruited Participant lodges a valid election notice referencing the Ambassador's referral code. Inland Revenue records the referral relationship. No credit is issued.
- **Step 2 — Election accepted.** Inland Revenue processes and accepts the election, issuing an Election Certificate to the Recruited Participant. No credit is issued.
- **Step 3 — First-year contribution paid in full.** The Recruited Participant pays their first-year Annual Contribution (Total TRE Obligation, as reduced by any QGI reduction and WMAC Credits of their own) to Inland Revenue by the terminal tax date for their first Contribution Year. Upon receipt and confirmation of payment in full, Inland Revenue issues the WMAC Credit to the Ambassador.

J.3.3 Default by the Recruited Participant

If the Recruited Participant defaults on their first-year Annual Contribution—whether by non-payment, partial payment, or late payment beyond any instalment arrangement—no WMAC Credit is generated. The referral relationship recorded at Step 1 is extinguished. There is no provision for partial credit issuance on partial payment. If the Recruited Participant subsequently cures the default (for example, by paying arrears following enforcement action), the credit may be issued at the point the first-year Annual Contribution is fully satisfied, provided the Ambassador's own election remains in force at that date.

J.4 Credit Quantum

J.4.1 Formula

The WMAC Credit earned by an Ambassador upon a successful referral equals **50% of the Recruited Participant's first-year Total TRE Obligation**. The Total TRE Obligation is the sum of the Recruited Participant's Principal Contribution and all Dependent Contributions at their Election Date rates, before application of any QGI reduction or WMAC Credit. The credit is calculated on the gross obligation, not the net Annual Contribution after reductions.

Expressed algebraically:

```
WMAC Credit = 0.50 × TTRO
where TTRO = Principal Contribution + Σ(Dependent Contributions)
at the Recruited Participant's Election Date rates
```

J.4.2 Representative Credit Amounts at Launch Rates

Recruited Participant Configuration	First-Year TTRO (NZD)	WMAC Credit (NZD)
Single participant, no dependents	600,000	300,000
Couple (principal + 1 dependent)	700,000	350,000
Family of three (principal + 2 dependents)	800,000	400,000
Family of four (principal + 3 dependents)	900,000	450,000

J.4.3 Natural Escalation at Repricing Events

The WMAC Credit quantum escalates automatically with subsequent Repricing Events because the credit is calculated on the Recruited Participant's Election Date rates—not on the Ambassador's rates. An Ambassador who recruited a participant before the first Repricing Event would have earned a credit of NZD 300,000 (on a single participant at NZD 600,000 TTRO). If the same Ambassador recruits a post-first-repricing single participant paying an indicative NZD 800,000 Principal Contribution, the credit is NZD 400,000. No adjustment to the WMAC scheme mechanics is required; the escalation is inherent in the formula.

Cohort 2 and Cohort 3 contribution rates are indicative and subject to Ministerial determination at each Repricing Event. Representative credit amounts for post-repricing cohorts should be treated as modelling estimates, not confirmed parameters.

J.5 Crown Arithmetic

The fiscal integrity of the WMAC scheme rests on a single principle: **at no point does the Crown forgo revenue it would otherwise have received.** Every WMAC Credit is funded by incremental revenue that the recruited participant generates. The following worked example demonstrates the Crown's position at launch rates for a recruited single participant (TTRO NZD 600,000).

J.5.1 Worked Example — Single Recruited Participant at Launch Rates

Year	Crown Receives from Recruited Participant	WMAC Credit Issued to Ambassador	Net Immediate Crown Revenue	Ambassador Credit Applied Against Own AC

1	NZD 600,000	NZD 300,000	NZD 600,000	Up to NZD 300,000 (at Ambassador's election)
2	NZD 600,000	Nil	NZD 600,000	Nil (if fully applied in Year 1) or remainder carried forward
3–16	NZD 600,000/yr	Nil	NZD 600,000/yr	Nil (credit fully consumed)

Three features of the Crown arithmetic warrant emphasis for legislative drafting and Ministerial communication:

1. **The Crown receives the full first-year contribution from the Recruited Participant before any credit is issued.** The NZD 600,000 Year 1 payment is received by IRD; the NZD 300,000 credit is issued to the Ambassador as a future-contribution offset. The Crown's immediate cash position is NZD 600,000, not NZD 300,000.
2. **The credit is a deferral of the Ambassador's own future contributions, not a forgiveness.** The Ambassador's NZD 300,000 credit reduces their own future Annual Contribution obligations—obligations that are themselves Crown revenue. In the absence of the credit, the Ambassador would pay NZD 600,000 in Year 1 of their own TRE obligations; with the credit applied, the Ambassador pays NZD 300,000 but the Crown has received an additional NZD 600,000 from the Recruited Participant that it would never have received without the referral.
3. **Over the Recruited Participant's 16-year Elective Period, the Crown receives NZD 9.6 million from that single participant (NZD 600,000 × 16 years) at a one-time cost of NZD 300,000 in deferred Ambassador contributions.** The net Crown gain from each successful referral is NZD 9.3 million over the programme life.

J.5.2 Multiple Referrals

An Ambassador who recruits multiple participants accumulates credits from each referral. The Crown arithmetic scales linearly: each recruited participant generates a new NZD 9.6 million revenue stream (at launch rates, single participant, over 16 years) at a one-time NZD 300,000 credit cost. There is no ceiling on total credits earned by a single Ambassador across the 16-year Elective Period.

Where an Ambassador's accumulated credits exceed their remaining Annual Contribution obligations, the excess credits carry forward but are ultimately forfeited at the natural expiry of the Elective Period (section J.12). The Crown has already received the recruited participants' contributions; the forfeited credits represent deferred revenue that was never drawn down.

J.6 Credit Application: Discretionary, No Ordering Requirement

WMAC Credits are applied entirely at the Ambassador's discretion. There is no first-in-first-out (FIFO) requirement, no minimum application amount, and no obligation to apply credits in the year they are earned. The Ambassador has complete control over the timing and quantum of credit application, subject only to two constraints:

- Credits may not reduce the Annual Contribution below zero for any Contribution Year.
- Credits may not be applied against any obligation other than the TRE Annual Contribution (section J.8).

J.6.1 Application Mechanics

The Ambassador declares the amount of credits they wish to apply in their TRE Annual Contribution declaration for the relevant Contribution Year. The declaration must specify:

- The Contribution Year to which the application relates.

- The amount of WMAC Credits to be applied (any amount from zero to the total accumulated credit balance, not exceeding the post-QGI Annual Contribution for that year).
- The resulting net Annual Contribution payable.

Inland Revenue verifies the declared credit balance against its records, confirms the application, and adjusts the credit balance accordingly. The balance is reduced by the amount applied; the remainder carries forward to subsequent Contribution Years without restriction.

J.6.2 Credits Are Fungible

All WMAC Credits in the Ambassador's accumulated balance are fungible. There is no meaningful distinction between a credit earned from Recruited Participant A and a credit earned from Recruited Participant B. Credits are aggregated into a single balance; the Ambassador draws against the aggregate. IRD systems should track the source and date of each credit issuance for audit purposes, but the application mechanism operates solely on the aggregate balance.

J.7 Carry-Forward Rules

J.7.1 General Carry-Forward

WMAC Credits not applied in the Contribution Year in which they are earned carry forward automatically and indefinitely. No administrative election is required to preserve carry-forward status. There is no annual expiry and no ceiling on total credits accumulated across the 16-year Elective Period.

J.7.2 Carry-Forward When QGI Reduces Obligation to Zero

A specific carry-forward scenario must be addressed in legislative drafting and official guidance. Where a Participating Individual's QGI reduction in a given Contribution Year is sufficient to reduce their Total TRE Obligation to zero before any WMAC Credits are applied, the WMAC Credits that would otherwise have been available for application in that year are **not** lost. They carry forward automatically and indefinitely to future Contribution Years, consistent with the general carry-forward rule.

This rule is distinct from the treatment of excess QGI. If the QGI reduction would mathematically reduce the obligation below zero, the excess QGI reduction is lost and does not carry forward—QGI reduction is a current-year benefit only. WMAC Credits, however, are a separate balance. They carry forward regardless of whether they were "needed" in any given year. The distinction is architecturally important: QGI rewards ongoing capital commitment; WMAC rewards recruitment. The two incentives operate independently and must not be collapsed.

J.7.3 Carry-Forward at Natural Expiry

At the end of the 16th and final Contribution Year, any accumulated WMAC Credits not yet applied are forfeited. There is no mechanism to extend the credit balance beyond the Elective Period, and credits cannot be applied against post-elective standard NZ tax obligations. This treatment is consistent with the forfeiture rules on lapse (section J.12) and reflects the principle that WMAC Credits exist only within the TRE ecosystem.

J.8 Restriction to TRE Obligations

WMAC Credits may **only** be applied against a Participating Individual's TRE Annual Contribution obligations—that is, against the Principal Contribution and Dependent Contributions payable under sections A.4, A.5, or A.6. Credits may **not** be applied against any other New Zealand tax liability. This restriction is fundamental to scheme integrity and must be stated explicitly on the face of the legislation.

The following obligations are expressly excluded from WMAC Credit application:

- Income tax on NZ-sourced income (employment income, business income, rental income, dividends, interest, and all other NZ-sourced categories)

- Goods and Services Tax (GST)
- ACC levies
- KiwiSaver employer and employee contributions
- Any other tax, duty, or levy administered by Inland Revenue outside the TRE regime

This restriction will be a frequently raised question from prospective participants and their advisers. Ambiguity on this point must not exist in the legislation, official guidance, or the Election Certificate (which records the restriction in Part 11 of the prescribed content under section A.16.2).

J.9 Single-Level-Only Restriction

The WMAC scheme operates on a **single level only**. An Ambassador earns a WMAC Credit when they directly recruit a Recruited Participant. The Ambassador does **not** earn any credit when the Recruited Participant subsequently recruits further participants. Each Recruited Participant who becomes an Ambassador earns credits only for their own direct referrals—there is no downstream chain, no second-tier credit, and no passthrough of any kind.

J.9.1 Legal Rationale

This restriction is not merely a design preference. A multi-level structure—under which an Ambassador earns credits from the referrals of persons they previously recruited—would create the legal and reputational characteristics of a pyramid scheme or multi-level marketing scheme under New Zealand law. The Fair Trading Act 1986 (sections 24–26) prohibits pyramid selling schemes, defined to include schemes where participants receive benefits derived from the recruitment of further participants in a chain. A multi-level WMAC structure would fall squarely within this definition.

The single-level restriction must be stated **unambiguously on the face of the legislation**. It is not sufficient to rely on administrative guidance or programme rules; the restriction must be a statutory provision to prevent any argument that the scheme's legal architecture permits multi-level operation.

J.9.2 Illustrative Application

The following example illustrates the restriction:

- Ambassador A recruits Participant B. Upon B's first-year payment, Ambassador A earns a WMAC Credit equal to 50% of B's TTRO.
- Participant B subsequently registers as an Ambassador and recruits Participant C. Upon C's first-year payment, Ambassador B earns a WMAC Credit equal to 50% of C's TTRO.
- Ambassador A earns **no** credit in connection with Participant C's election or payment. The referral chain terminates at one level.

J.10 Prohibited Relationships

Two categories of relationship are prohibited from generating WMAC Credits. In each case, the Recruited Participant's election is valid—the prohibition affects only the credit, not the election itself.

J.10.1 Paid Intermediaries

Any person receiving, or who has agreed to receive, remuneration from a prospective TRE participant in connection with that person's election is not eligible to register as an Ambassador in respect of any referral arising from that advisory relationship. The prohibition extends to immigration advisers, tax advisers, wealth managers, private bankers, family office professionals, and legal advisers engaged by the prospective participant.

The policy rationale is straightforward: the WMAC is designed to incentivise peer-to-peer promotion among high-net-worth individuals who can authentically recommend the TRE programme on the basis of personal experience. It is not designed to create a secondary compensation mechanism for professional intermediaries who are already remunerated for their advisory services.

Exception: A professional adviser who is themselves a Participating Individual and registered Ambassador may earn WMAC Credits for referrals arising from personal networks entirely unconnected to any paid engagement. The test is the source of the referral relationship, not the professional status of the Ambassador. Where the Ambassador has any existing or prospective advisory engagement with the Recruited Participant, the prohibition applies.

J.10.2 Associated Persons

An Ambassador may not earn a WMAC Credit in respect of the election of a person who is an associated person of the Ambassador under the Income Tax Act 2007 (section YB 1 et seq.). The associated person rules capture, among others: relatives within the specified degree; companies in which the Ambassador holds a specified interest; trustees of trusts of which the Ambassador is a settlor or beneficiary; and entities controlled by the Ambassador.

Where an associated person elects and references the Ambassador's referral code, the election is valid but no WMAC Credit is issued. This is not a penalty—it is a structural integrity rule preventing self-referral through related parties.

J.10.3 Declaration Requirement

Inland Revenue must prescribe a declaration requirement in the election notice (section A.7.3) under which the Recruited Participant confirms that no prohibited relationship exists between themselves and any Ambassador whose referral code is referenced in their notice. The declaration should be in the following or substantially equivalent terms:

"I confirm that I am not an associated person (as defined in subpart YB of the Income Tax Act 2007) of the Ambassador whose referral code is referenced in this election notice, and that no person who has received or agreed to receive remuneration from me in connection with this election has registered as an Ambassador in respect of this referral."

A false declaration constitutes an offence under the Tax Administration Act 1994 (section 143A—knowledge offences, or section 143B—evasion or similar offence, depending on the nature and intent of the false statement). Inland Revenue may cancel any WMAC Credit issued on the basis of a false declaration and refer the matter for investigation.

J.11 Non-Transferability and Non-Monetisation

WMAC Credits are strictly non-transferable and non-monetisable. An Ambassador may not:

- Transfer credits to any other person, whether or not that person is a Participating Individual.
- Sell, pledge, assign, or otherwise deal with credits as if they were a financial asset.
- Apply credits on behalf of another person or direct that credits be applied against another person's Annual Contribution.
- Enter into any arrangement—whether legally binding or not—under which the economic benefit of credits is effectively transferred to another person.

Any purported transfer or monetisation is void. Inland Revenue may cancel credits that are the subject of a purported prohibited transfer and refer for investigation under the Tax Administration Act 1994. The non-transferability rule must be stated on the face of the legislation and in the Election Certificate.

For the avoidance of doubt, the non-monetisation rule means that WMAC Credits cannot be treated as income, as an asset for financial reporting purposes, or as consideration in any commercial transaction. They are a mechanism internal to the TRE regime and have no existence outside it.

J.12 Forfeiture Events

Accumulated WMAC Credits are forfeited—reduced to zero with no compensation or carry-forward—upon the occurrence of any of the following events:

Forfeiture Event	Effective Date	Treatment
Lapse (section A.9)	Lapse Date (last day of the Contribution Year in which the presence deficit occurs)	All unapplied credits forfeited. Credits applied in prior years are not clawed back.
Voluntary Withdrawal (section A.10)	Withdrawal date (90 days after notice or date specified, whichever is later)	All unapplied credits forfeited. Participants considering withdrawal should apply available credits before giving notice, to the extent possible.
Death (section A.11.7)	Date of death	All unapplied credits forfeited. Credits do not form part of the estate and may not be transmitted to beneficiaries or Eligible Dependents.
Natural expiry of the Elective Period	Last day of the 16th Contribution Year	Any remaining credit balance is forfeited. No extension mechanism.

Credits are not forfeited in nil-payment years. Where QGI reductions and WMAC Credits together reduce the Annual Contribution to zero for a given Contribution Year, participation remains in force, the Rising Cumulative Minimum continues to apply, and all unused WMAC Credits carry forward per section J.7. A nil-payment year is not a forfeiture event.

J.13 IRD System and Administration Requirements

Inland Revenue must develop or configure its systems to support the following six operational capabilities, as specified in section A.15.11 of the Terms Sheet. Each capability is described below with the functional requirements that legislative drafting should anticipate.

J.13.1 Referral Code Issuance and Tracking

- Issue a unique alphanumeric referral code to each registered Ambassador within 10 working days of registration.
- Maintain a register of all active referral codes, linked to the Ambassador's IRD number and Election Certificate reference.
- Deactivate codes upon lapse, withdrawal, or death of the Ambassador, with timestamp recording.
- Validate referral codes referenced in election notices at the time of lodgement, flagging deactivated or invalid codes.

J.13.2 Credit Issuance and Recording

- Automatically generate a WMAC Credit upon confirmation that the Recruited Participant's first-year Annual Contribution has been paid in full.
- Record the credit against the Ambassador's account with: date of issuance; Recruited Participant's Election Certificate reference (for audit trail—not disclosed to the Ambassador); credit quantum (NZD); Recruited Participant's TTRO at Election Date.
- Issue notification to the Ambassador confirming credit issuance and updated balance.

J.13.3 Credit Balance Management

- Maintain a running credit balance for each Ambassador, accessible via myIR or equivalent secure portal.
- Display: total credits earned to date; total credits applied to date; current available balance; credits pending (where a Recruited Participant has elected but not yet paid).

- Provide annual credit balance statement as part of the TRE Annual Contribution declaration process.

J.13.4 Credit Application Processing

- Accept Ambassador's declaration of credits to apply in the Annual Contribution declaration for each Contribution Year.
- Validate declared amount against recorded balance.
- Reduce balance by the amount applied; confirm the adjusted Annual Contribution payable.
- Process the application as part of the standard Annual Contribution assessment workflow.

J.13.5 Expiry and Forfeiture Recording

- Record forfeiture events with: date; trigger (lapse, withdrawal, death, or natural expiry); credit balance forfeited.
- Issue notification to the Ambassador (or estate representative, in the case of death) confirming forfeiture and final balance.
- Retain forfeiture records for the standard tax record retention period.

J.13.6 Prohibited Relationship Monitoring

- Maintain a register of Ambassador/Recruited Participant pairs for each referral.
- Cross-reference against Inland Revenue's associated persons database to flag potential prohibited relationships at the time of election notice processing.
- Flag referrals where the Recruited Participant's election notice lists a professional adviser who is also a registered Ambassador.
- Provide an audit trail for all prohibited-relationship determinations, whether resulting in credit denial or clearance.

J.14 Interaction with Order of Operations

The WMAC Credit application is the final step in the confirmed three-step annual calculation sequence for every Participating Individual's Annual Contribution. The ordering is architecturally significant: QGI is applied first, and WMAC Credits are applied to the residual obligation after QGI reduction. The ordering must be observed in every Contribution Year.

J.14.1 Confirmed Ordering

Step 1 — Calculate Total TRE Obligation.

```
TTRO = Principal Contribution + Σ(Dependent Contributions)
```

Both components are at the Participating Individual's grandfathered Election Date rates.

Step 2 — Apply QGI Reduction (floor at zero; excess QGI lost).

```
QGI Reduction = floor(QIB ÷ AZFL, 10%) × TTRO
Post-QGI Obligation = TTRO − QGI Reduction
```

If the QGI reduction exceeds the TTRO, the excess is lost (no carry-forward of QGI). See Annex E for full QGI mechanics.

Step 3 — Apply WMAC Credits at Ambassador's election (floor at zero; unused credits carry forward).

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Annual Contribution = Post-QGI Obligation − WMAC Credits Applied
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The Annual Contribution cannot be reduced below zero. Unused WMAC Credits carry forward indefinitely per section J.7.

J.14.2 US Track Interaction

For US Track participants, the US Track calculation sequence (Steps 1–3 under section A.5.2—calculate Qualifying Offshore Income, apply standard NZ tax rules to determine Uncapped NZ Tax Liability, then apply the cap) precedes the three-step ordering above. The cap is applied against the Total TRE Obligation, not against the Principal Contribution alone. QGI reduction and WMAC Credits are then applied to the capped liability in the standard ordering. In years where the Uncapped NZ Tax Liability falls below the cap, the US Track participant pays less than the TTRO—and the QGI and WMAC reductions apply to the actual (lower) tax liability.

J.14.3 Interaction Summary Table

Step	Operation	Carry-Forward of Excess
1	Calculate TTRO (grandfathered rates)	N/A
2	Apply QGI reduction (floor at zero)	No — excess QGI is lost
3	Apply WMAC Credits (floor at zero)	Yes — unused credits carry forward indefinitely

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End of Annex J. Cross-references: Annex A (Terms Sheet), sections A.15.1–A.15.11; Annex E (Qualifying Growth Investment); section A.14.8 (ordering of operations). All defined terms as in Annex A, section A.1.

ABOUT THE AUTHOR

Erik Townsend is a software entrepreneur turned hedge fund manager, now a fully retired UHNWI private investor. He is a transitional tax resident of New Zealand, resident in Auckland full-time since November 2025.

Erik and his wife Alexandra arrived in New Zealand expecting a brief stay — six to twelve months at most. Instead, they fell in love with the country and its people, and decided to make New Zealand their permanent home. They married here to mark that commitment.

What followed was a wake-up call. When the Townsends engaged a New Zealand tax adviser, the advice was blunt: enjoy four years in the country tax-free under transitional residency, then leave. A second adviser gave the same counsel. So did a third. Every credible tax professional in New Zealand gives this same advice to every ultra-high net worth client, because current post-transitional tax settings make remaining in New Zealand not merely disadvantageous but ***economically irrational.*** The numbers are unambiguous: a family in the Townsends' position could relocate to Italy, purchase an ultra-long-range private jet, and return to enjoy six months a year in New Zealand as tax-free visitors — at materially lower total cost than paying New Zealand tax on foreign-sourced investment income.

Every year, New Zealand loses high-net-worth households at the end of their transitional period — not because they want to leave, but because their advisers tell them they must. The revenue that departs with them is not thousands or millions, but billions of dollars annually that New Zealand will never collect under current settings. This is the structural failure that AIP+TRE is designed to resolve.

Erik rejected his advisers' recommendation. He and Alexandra are not leaving. He wrote this proposal instead. Erik is keen to work with the Ministers of Revenue, Finance, and Immigration to seize a generational opportunity for New Zealand by making this country the top choice of wealth migrants in the present and unprecedented global wealth migration.

Erik has a direct financial interest in AIP+TRE's adoption, which he discloses as a matter of record.

AIP+TRE is Erik's effort to apply his business and investment experience in service of what he believes is a generational opportunity for New Zealand — the best country on Earth.