



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Overseas Investment Regime: Proposed New Fee Structure to Improve Cost Recovery

Portfolio Associate Finance (Hon David Parker)

On 9 June 2021, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that on 17 February 2021, DEV agreed to the release of a consultation document on a proposed fee structure for the overseas investment regulatory regime, and invited the Associate Minister of Finance (Hon David Parker) to report back on the outcome of the consultation and seeking final policy decisions [DEV-21-MIN-0002];
- 2 **noted** that Land Information New Zealand publicly consulted from 24 February to 19 March 2021 on proposals to ensure cost recovery of the overseas investment regime;
- 3 **noted** that submissions raised concerns about the implementation of a proposed differentiated fee structure, and the increase in fees for complex applications to purchase sensitive land and fishing quota;
- 4 **noted** that Land Information New Zealand has developed a set of criteria for defining complex applications, based on objective tests in the Overseas Investment Act 2005;
- 5 **agreed** to implement the following proposals to amend the Overseas Investment Regulations 2005 (Schedule 2 – Fees and Charges):
 - 5.1 specify the criteria to be applied by the Regulator to define applications subject to a complex assessment fee, involving objective tests in the Overseas Investment Act 2005 and the Ministerial Delegation Letter;
 - 5.2 a new lodgement fee of \$13,300 (GST inclusive) for quality assurance of applications to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota;
 - 5.3 replace the existing, single application fees for consent to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota;
 - 5.4 specify fees for standard applications for consent to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota, with standard assessment fees to range from \$16,800 to \$56,100 (GST inclusive);

- 5.5 specify fees for complex applications for consent to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota (complex assessment fees will range from \$35,900 to \$119,600, GST inclusive);
- 5.6 specify fees for monitoring compliance with consent conditions to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota (monitoring compliance fees will range from \$2,900 to \$13,300, GST inclusive);
- 5.7 increase the national interest assessment fee from \$52,000 to \$83,700 (GST inclusive);
- 6 **invited** the Associate Minister of Finance (Hon David Parker) to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraph 5 above;
- 7 **authorised** the Associate Minister of Finance (Hon David Parker) to make decisions on any further minor or technical issues required to give effect to the above paragraphs.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon David Parker
Hon Nanaia Mahuta
Hon Damien O'Connor
Hon Stuart Nash
Hon Dr David Clark
Hon Dr Ayesha Verrall
Hon Meka Whaitiri
Hon Phil Twyford
Rino Tirikatene, MP
Dr Deborah Russell, MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV



Cabinet Economic Development Committee

Summary

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Overseas Investment Regime: Proposed New Fee Structure to Improve Cost Recovery

Portfolio	Associate Finance (Hon David Parker)
Purpose	This paper seeks agreement to amend fees regulations to improve the cost recovery arrangements in the overseas investment regulatory regime.
Previous Decisions	On 17 February 2021, DEV agreed to the release of a consultation document on a proposed fee structure for the overseas investment regulatory regime, and invited the Associate Minister of Finance to report back on the outcome of the consultation and seeking final policy decisions [DEV-21-MIN-0002].
Proposal	<p>The administration of the overseas investment regime is largely funded by revenue from application fees, which are set in regulations. Fees have not recovered costs for some years. There was an operating deficit of \$3.3 million for the 2019/20 year.</p> <p>Following a consultation process, a new, differentiated fee structure is proposed. This would move from the existing, single application fee, to three different fees charged at different stages of an application (a lodgement fee, an application assessment fee, and a monitoring compliance fee). The proposed fees are in Appendix One.</p> <p>This fee structure was the preferred proposal, as consulted. Specific concerns were raised about the proposed differentiated fee structure. LINZ has therefore developed a set of criteria for defining complex applications, based on the objective tests in the Overseas Investment Act 2005. The key themes from the consultation, together with LINZ's comments, are in Appendix Two.</p>
Impact Analysis	A Regulatory Impact Statement (RIS) is attached . Officials consider that the RIS meets the quality assurance criteria.
Financial Implications	The proposed new fee structure and updated fees are projected to increase total fee revenues for the overseas investment regime by \$1.3 million annually.
Legislative Implications	<p>The Overseas Investment Amendment Act 2021 received Royal Assent on 24 May 2021.</p> <p>Amendments are required to the Overseas Investment Regulations 2005.</p>

Timing Matters A further review of overseas investment fees will be undertaken in 2022/23.

Communications None.

Consultation Paper prepared by Treasury. MFAT, NZTE, Agriculture, Forestry, and Oceans and Fisheries were consulted. DPMC was informed. A number of iwi, economic organisations and law firms were also consulted.

The Associate Minister of Finance (Hon David Parker) indicates that the Prime Minister, Minister of Finance, Associate Minister of Finance (Hon Dr Megan Woods), Leader of the House, Minister for ACC, Minister of Local Government, Minister for Building and Construction, Minister for Land Information, Minister for Rural Communities, Minister for Economic and Regional Development, Minister of Immigration, Minister for Māori Development, Minister of Transport, Minister of Commerce and Consumer Affairs, Associate Minister of Research, Science and Innovation, Associate Minister of Agriculture, and the two Parliamentary Under-Secretaries were consulted.

The Associate Minister of Finance (Hon David Parker) recommends that the Committee:

- 1 note that on 17 February 2021, the Cabinet Economic Development Committee (DEV) agreed to the release of a consultation document on a proposed fee structure for the overseas investment regulatory regime, and invited the Associate Minister of Finance (Hon David Parker) to report back on the outcome of the consultation and seeking final policy decisions [DEV-21-MIN-0002];
- 2 note that Land Information New Zealand publicly consulted from 24 February to 19 March 2021 on proposals to ensure cost recovery of the overseas investment regime;
- 3 note that submissions raised concerns about the implementation of a proposed differentiated fee structure, and the increase in fees for complex applications to purchase sensitive land and fishing quota;
- 4 note that Land Information New Zealand has developed a set of criteria for defining complex applications, based on objective tests in the Overseas Investment Act 2005;
- 5 agree to implement the following proposals to amend the Overseas Investment Regulations 2005 (Schedule 2 – Fees and Charges):
 - 5.1 specify the criteria to be applied by the Regulator to define applications subject to a complex assessment fee, involving objective tests in the Overseas Investment Act 2005 and the Ministerial Delegation Letter;
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- 5.3 replace the existing, single application fees for consent to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota;
- 5.4 specify fees for standard applications for consent to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota, with standard assessment fees to range from \$16,800 to \$56,100 (GST inclusive);
- 5.5 specify fees for complex applications for consent to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota (complex assessment fees will range from \$35,900 to \$119,600, GST inclusive);
- 5.6 specify fees for monitoring compliance with consent conditions to undertake transactions for residential land, significant business assets, forestry assets, non-residential land, and fishing quota (monitoring compliance fees will range from \$2,900 to \$13,300, GST inclusive);
- 5.7 increase the national interest assessment fee from \$52,000 to \$83,700 (GST inclusive);
- 6 invite the Associate Minister of Finance (Hon David Parker) to issue drafting instructions to the Parliamentary Counsel Office to give effect to paragraph 5 above;
- 7 authorise the Associate Minister of Finance (Hon David Parker) to make decisions on any further minor or technical issues required to give effect to the above paragraphs.

Janine Harvey
Committee Secretary

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Cabinet Economic Development Committee

Proactive release