

Budget 2026: Proposed FIF Changes for Offshore Investors, Founders and Early Shareholders

Budget 2026 includes proposed changes to New Zealand's foreign investment fund (FIF) rules. These are the tax rules that can apply when New Zealand residents invest in overseas shares. The changes will be relevant to direct investors in foreign companies, as well as founders, early investors and others affected by offshore migration or foreign listing events. Below is a summary of the key proposals announced on 28 May 2026. As these measures are still proposed, the final details may change as the legislation progresses.



Foreign Investment Fund (FIF) Rule Changes Proposed

The FIF exemption threshold is increasing to \$100k

The current de minimis threshold of \$50,000 is proposed to increase to \$100,000 from 1 April 2026, which would bring more individual investors outside the FIF rules and reduce compliance costs.ⁱ In simple terms, this threshold is the point below which many people with smaller overseas share portfolios do not need to use the FIF calculation rules. If an investor remains below the threshold, they will generally continue to return dividends from those investments without having to apply a separate FIF method.

RAM Method for calculating FIF income

The Revenue Account Method (RAM) is proposed to be expanded to all New Zealand tax residents for their unlisted foreign shares.ⁱⁱ RAM is a method for working out taxable income



from some overseas shares based on dividends received and gains on sale, rather than annual changes in value on paper. This matters because, under some existing rules, tax can arise before there is a sale or cash receipt to help pay it. By aligning the tax outcome more closely with realised gains and actual dividends, the proposal may reduce cashflow pressure for holders of unlisted foreign shares. RAM is also proposed to be available more widely to dual tax residents.

RAM was introduced for new migrants for the 2026 tax year, as we wrote about last year.ⁱⁱⁱ Under RAM, FIF income is calculated by taking dividends, adding 70% of gains made when shares are sold, and subtracting 70% of losses made on sale. If losses are greater than gains in a year, the excess can usually be carried forward and used in a later year.

AFI Method for Founders and Early Investors

The Attributable FIF Income (AFI) method is proposed to be expanded so that founders, early investors and key employees can continue to use it even if their ownership interest is diluted below 10% as the business raises capital and grows.^{iv} Dilution simply means an investor owns a smaller percentage of the company after new shares are issued to bring in more capital.

The AFI method is based on the Controlled Foreign Company (CFC) rules, with modifications for FIF interests. Broadly, it is intended to produce a more tailored tax outcome in certain cases. The practical importance of this proposal is that eligible shareholders would not be pushed onto methods such as the Fair Dividend Rate (FDR) method simply because their ownership percentage falls as part of genuine growth and capital raising. For founders and early-stage investors, that should help preserve a more suitable tax treatment as the company evolves.

10-Year FIF Exemption for Corporate Migration

The 10-year FIF exemption is proposed to be expanded to include businesses that migrate offshore and list on a foreign exchange, regardless of the method used, including special purpose acquisition company (SPAC) transactions.^v A SPAC is a listed shell company that merges with or acquires an operating business to take it public. Previously, SPAC transactions fell outside the exemption because the listing pathway involved cancelling New Zealand shares and issuing new offshore shares.

The 10-year FIF exemption applies to shareholders who held shares before the company migrated from New Zealand and before the shares were listed on a recognised exchange. In practice, this will often be most relevant to founders, early investors and others whose holdings pre-date the offshore listing or migration event.

Taken together, the proposed FIF changes should reduce compliance for smaller offshore investors and produce more practical outcomes for people holding foreign shares in situations where tax can otherwise arise before cash is received. They also improve continuity for founders, early investors and other shareholders affected by dilution, offshore migration or foreign listing transactions.

The practical effect of these proposals will depend on the type of investment, the investor's wider tax position, and whether the shares are listed, unlisted, or connected to a company



moving offshore or listing overseas. If you would like to discuss how the proposed changes could apply in your circumstances, contact us at JDW.

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ⁱ <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2026/is-foreign-investment-fund.pdf>

ⁱⁱ <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2026/is-foreign-investment-fund.pdf>

ⁱⁱⁱ <https://www.jdw.co.nz/proposed-fif-rule-changes-2025>

^{iv} <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2026/is-foreign-investment-fund.pdf>

^v <https://www.taxpolicy.ird.govt.nz/-/media/project/ir/tp/publications/2026/is-foreign-investment-fund.pdf>