Infrastructure
New Zealand

Level 13 NTT Tower
157 Lambton Quay
PO Box 7244
Victoria Street West
Auckland 1142
New Zealand

Email: office@infrastructure.org.nz

C/- Deputy Commissioner, Policy

26 June 2025

Inland Revenue Department

Via email: policy.webmaster@ird.govt.nz

Dear Sir/Madam

Submission on Officials' issue paper – *Thin capitalisation settings for infrastructure (Issue Paper)*

Infrastructure New Zealand appreciates the opportunity to make a submission on the proposed changes to the thin capitalisation settings for the infrastructure sector.

Infrastructure New Zealand is Aotearoa's peak membership organisation for the infrastructure sector. We promote best practice in national infrastructure development through research, advocacy, and public and private sector collaboration. We promote public and media discussion on issues of importance to the infrastructure sector. Our membership is comprised of around 140 organisations, including government agencies, consultants, contractors, financiers, utilities, and academics. These organisations employ approximately 150,000 people in infrastructure-related roles and are united in their commitment to creating a better New Zealand through outstanding infrastructure.

We set out our specific comments below.

1. **Support for Issue Paper**

We have not sought to answer the specific questions detailed in the Issue Paper but wanted to take this opportunity to provide further comments in respect of the current thin capitalisation rules (and proposed changes) more broadly from our view of the infrastructure industry.

We commend the overall direction of the proposals and appreciate the efforts to improve the policy settings for the New Zealand infrastructure sector. We consider the Issue Paper to be a promising tool to better support the operation and growth of infrastructure businesses in New Zealand and we are broadly supportive of the initiative and intent behind the Issue Paper, particularly as New Zealand seeks to attract both international funding and expertise to help support its infrastructure development and overall productivity.

In addition, we want to submit that it is important that this consultation does not result in any degradation of the existing thin capitalisation regime upon which current investments have been made and new investments are actively being assessed, and the certainty that this provides to international investors. Rather, we encourage that any changes serve to rectify or remove current specific impediments to investment while continuing to ensure they remain robust, practical and fit for purpose in New Zealand.

2. Opportunity for broader infrastructure reform

While Infrastructure New Zealand welcomes the work being done in this space, we recommend a wider review and reform takes place in approaching improvements / remedials to the infrastructure tax settings in New Zealand, as opposed to ad hoc improvements.

Particularly, we recommend a review is undertaken in respect of the current tax residency rules in the context of inbound infrastructure investments in New Zealand. While the tax residence rules are important to determine the tax residence of taxpayers in New Zealand, these rules coupled with the equivalent rules in the investor jurisdiction can impose unnecessary (and potentially unintended) administrative and financial burdens, particularly where strategic decision-making processes have remained consistent over time and do not require to be revisited via frequent in-person board meetings (such as for infrastructure assets that fundamentally do not undergo frequent structural changes). With virtual meetings now becoming standard practice, requiring non-New Zealand directors to travel to satisfy residency criteria is increasingly becoming onerous and financially burdensome, and remains an impediment. A more flexible approach to deal with such specific circumstances that recognises and allows virtual governance would be welcome.

We have also seen the recent PIE regime change proposal, along with this current thin capitalisation proposal – which are all welcome proposals and as noted, very encouraging to see in respect of the infrastructure industry. However, we recommend that a wider reform takes place assessing all key levers applicable to infrastructure investment.

We appreciate the opportunity to contribute to this process and look forward to further engagement as the proposals develop. Please reach out to Michelle McCormick (Policy Director) on michelle.mccomick@infrrastructure.org.nz or phone 021 526 73 in the first instance.

Kind regards

Nick Leggett

Chief Executive