

# Overseas Investment Amendment Bill update

June 19, 2018

The Parliamentary Select Committee considering the Overseas Investment Amendment Bill, which puts in place the policy, has recommended a relaxing of the approach. Under the proposed Bill overseas buyers will be permitted to hold onto properties bought off plans, provided they are in large multistorey developments with 20 or more units. There is also a simplified process for buying residential land for commercial purposes, including an exemption for utility companies. For forestry, changes are made to provisions, which bring forestry rights into the overseas investment regime. These provide for increased investor flexibility in obtaining consent and “removing red tape”.

## Detail

Parliament’s Finance and Expenditure Select Committee chaired by Labour MP and Parliamentary Undersecretary Michael Wood, has reported back after hearing public submissions on the Overseas Investment Amendment Bill. The Bill amends the Overseas Investment Act 2005. Under the original draft foreign buyers could purchase apartments off plans but would have to on sell them once the building was completed. The select committee has recommended that this provision is relaxed following extensive criticism by submitters and commentators. It means up to 60 percent of units in large scale developments could be purchased by foreigners to keep and rent out. They cannot live in them.

Michael Wood told *Newsroom* that the committee felt the change was consistent with the Bill’s aim to ensure an adequate supply of housing. It was suggested that the provision had a chilling effect on the apartment market. It could also inhibit hotel developments. Foreign investors will continue to be able to purchase hotel units on the condition that they are leased back to the developer or the hotel.

Announcing the Committee’s report back, Associate Finance Minister David Parker said the Bill would “ensure that the market for our homes is a New Zealand market not an international one.”

While not referring directly to the Committee’s “softening” he said the Bill supported the creation of new housing and the KiwiBuild policy by better harnessing foreign capital and directing it towards large residential developments.

“Under the new regime, overseas investors will be able to invest in new housing, particularly apartments, new rentals, and homes available to purchase under rent-to-own or shared-equity arrangements.”

Other provisions include:

- All permanent residents and resident visa holders who spend the majority of their time in New Zealand will be able to purchase homes under the regime without obtaining consent.
- Australian and Singapore citizens and residents will be treated the same as New Zealand citizens and permanent residents.
- If the current number of Singapore buyers materially increases the two countries have agreed to meet to discuss

the cause of the increase and how to address it, if required.

- A simplified process for buying residential land for commercial purposes, such as hotels, supermarkets and businesses that create jobs and support communities. This includes an exemption for utility companies.

## Forestry

Minister of Forestry Shane Jones has commented on changes to the Bill regarding forestry rights. “Investors can now choose from any of three different tests when seeking to acquire forestry land or rights. The Bill also ensure that investors and landowners can make minor changes to their agreements without unnecessarily having to return to the Government to obtain consent.”

## Viticulture

The committee has not made any recommendations on the inclusion of profit à prendre rights – this is the right to harvest a crop like grapes or trees on land without needing to own the land itself. Newsroom reports that the Government has brought profit à prendre rights under the Overseas Investment Office regime. However, while anything over five hectares must go through the Office, forestry profits do not come under the same regime until the land involved in more than 1000 hectares.

## Next steps

The Bill will now continue its passage through Parliament. Given the Bill's provisions are a cornerstone of the Government's policy approach, its passage could well be complete by the end of the year.

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