MOORE Markhams

DOING BUSINESS IN NEW ZEALAND 2024

INTRODUCTION

The Moore Markhams Doing Business in New Zealand guide aims to provide general information for persons contemplating doing business and/or individuals intending to live and work in New Zealand, temporarily or permanently. The guide includes background facts about New Zealand and relevant information on business operations and taxation matters.

This guide is intended to assist organisations that are considering establishing a business in New Zealand either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to New Zealand to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this guide is believed to be accurate as of June 2024. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

June 2024

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1. NEW ZEALAND AT A GLANCE

Geographical location and population

New Zealand has an area of approximately 270,000 square kilometres. The climate is mostly temperate with averages ranging from 8°C in mid-winter to 17°C in mid-summer. This makes the country similar in size to Japan or the British Isles. The country stretches approximately 1,500 kilometres from top to bottom, and is comparatively narrow with no part of New Zealand being more than 120 kilometres from the Coast.

Mountain ranges and hill country dominate the New Zealand landscape. Both the North and South Islands, which collectively comprise the vast majority of the country, are a mixture of urban development and unspoilt natural beauty. Agricultural and forestry activities are widely spread through both islands. Tourism is a significant and growing part of the New Zealand economy due to the availability of a huge range of leisure activities.

The population of New Zealand is approximately 5 million people of whom 77% live in the North Island and 23% in the South Island. The population of the four largest urban areas accounts for slightly more than 44% of the total.

The main language is English.

Politics and government

New Zealand is an independent sovereign state and a member of the British Commonwealth. Central Government is administered by Parliament in Wellington, which is elected on a three year cycle. New Zealand is not a federal state. The legislative process rests with a single body, the House of Representatives, which is elected on a system of proportional representation (MMP) which was first introduced in 1996. The system is similar to that in Germany. There are 120 members in the House of Representatives of whom 7 represent Maori electorates with particular emphasis on the interests of the indigenous people who populated New Zealand before the arrival of Europeans in the early 19th Century. New Zealand citizens over the age of 18 may (but are not compelled to) vote in general elections.

Local Government exists to regulate local community affairs such as real estate zonings, water supply, waste management and other such utilities. Local body revenues are derived by levying rates on land ownership.

Communications

One domestic airline operates throughout New Zealand together with a number of smaller regional operators.

A limited rail network exists with road transport providing the bulk of the transport system. Coastal shipping is also available to 10 container and 25 conventional ports. Private enterprise provides nationwide bus and car hire services.

Postal services are provided by NZ Post (a State owned enterprise). There is full coverage of the country in respect of telephone services including broadband Internet access to many locations.

Language

English is the national language together with Maori, which is a second official language with increasing usage throughout the country. New Zealand is culturally diverse as a result of its relatively relaxed immigration policy.

Time zone

New Zealand is the first major country past the dateline with standard time 12 hours ahead of Grenwich Mean Time. Seasonal adjustments are required when daylight savings time is adopted. Daylight savings time runs from the last Sunday in September to the following first Sunday in April.

Working hours

Standard business hours in New Zealand are from 8.30 am to 5.00 pm, Monday to Friday with many retail outlets open on Saturday, Sunday and one evening during the week. Banking hours are typically 9.00 am to 4.30 pm, Monday to Friday although access to the banking system is available outside these hours via automated teller machines, telephone banking and Internet banking.

Currency, weighted measuring

The currency is the New Zealand Dollar. New Zealand uses the metric system for weight and measures.

2. DOING BUSINESS

Main forms of business organisation

The major forms of investment vehicles used in New Zealand by both residents and non-residents are sole proprietor, partnerships, and companies (including branches of foreign companies).

All business organisations carrying on business in New Zealand must obtain an Inland Revenue Department (IRD) number.

Sole proprietor

Any individual (other than an un-discharged bankrupt) may commence business in New Zealand. The concept of business names which is common in some overseas jurisdictions is not recognised in New Zealand, and accordingly no registration of trading names is required.

Partnership

Any person, company or trust that is capable of entering into a binding agreement can enter into a partnership agreement. Partnerships are governed by the terms of the Partnership Act 1908. A formal written partnership agreement is not a legal requirement but is recommended. Each partner is jointly and severally liable for the debts and obligations of the partnership incurred while he is a partner. The number of partners in a partnership is limited to 25.

Limited liability partnership

A limited liability partnership has at least one general partner and at least one limited partner, either of which may be a corporation. A general partner has unlimited liability as usual, but a limited partner's liability is limited to their agreed contribution. The limited partner cannot take part in the management of the partnership.

Trusts

Businesses can be conducted in New Zealand by means of a trading trust. The trust is established by a Trust Deed and a trustee is appointed under the Deed to control the affairs of the trust. It is common for the trustee to be a limited company incorporated for this purpose, but this is not essential. Individual trustees can be appointed. Beneficiaries of the trust are named in the Deed.

Where the entire taxable income of the trust is distributed to eligible beneficiaries, trustees are not subject to income tax but must still lodge an income tax return. The income is assessed in the hands of the beneficiaries. Where any income is not distributed to beneficiaries and is retained by the trust, if your trust earns $10,000 or less in a tax year, you'll pay at a 33% rate. If your trust earns any more than that, you'll need to pay 39% (subject to exceptions).

The use of trading trusts in New Zealand is as yet relatively uncommon.

It is however common for discretionary family trusts to be established in New Zealand for a wide range of purposes. The provisions relating to trusts and their beneficiaries are relatively complex, particularly when questions of foreign sourced income or foreign trusts are involved.

Limited company

A limited company is a separate legal entity. The shareholders are not responsible for any act, default, debt or liability of the company beyond the unpaid capital (if any) on their respective shares in the capital of the company. However shareholding directors may become personally liable for debts incurred if the company trades whilst insolvent under their stewardship.

All companies must register with the Registrar of Companies, which is part of the Ministry of Economic Development. Companies are governed by the provisions of the Companies Act 1993. There is no distinction between private and public companies. A company incorporated in New Zealand must have at least one shareholder and one director (who may be the same person). Non-resident shareholders and directors are permitted. In general terms any legal entity may be a shareholder, but only natural people may be appointed as directors.

There is no statutory requirement to appoint a company secretary. With the introduction of the Companies Act 1993 the concept of fixed or par values for shares was abolished. Instead, companies issue shares for consideration which is resolved by the directors to be fair in respect of the particular issue. It is not necessary for the issue price to be fully paid at the time of issue.

Branch of foreign entity

If a foreign entity desires to carry on business in New Zealand through a branch structure, it must be registered with the Ministry of Economic Development as a registered foreign company. An application to the Registrar of Companies must state the names and residential addresses of the directors of the overseas company, the address of the overseas company's main place of business in New Zealand, provide the details of at least one person in New Zealand who is authorised to accept service of documents on the company's behalf and attach evidence of the incorporation of the overseas company.

Legal requirements for creating a company

All companies, both New Zealand registered and overseas branches are subject to the provisions of the Companies Act 1993. The company has a company number which must be quoted on all documents lodged with the Registrar of Companies and all official company documents. The Common Seal concept was abolished with the introduction of the Companies Act 1993.

A company is required to obtain an Inland Revenue number and where appropriate register for Goods and Services Tax (GST), and other revenues as required.

The steps involved in the formation of a company are briefly:

- Select a name and obtain approval from the Registrar of Companies to use that name
- Prepare and lodge the following documents with the Registrar of Companies
    1. Name Approval
    2. Application for Registration
    3. Consents of Shareholders and Directors
    4. Constitution (optional).

All New Zealand companies must have at least one director who lives in New Zealand or Australia. If living in Australia, they must also be a director of a company incorporated in Australia.

Directors must be at least 18 years of age and not be disqualified from acting. Application forms must include the full name and address of applicants, directors and shareholders, the number of shares to be issued to each shareholder, the Registered Office of the proposed company, and the company's Address for Service.

Minimum capital

There is no minimum capital requirement. Often the capital structure of the company will be determined by the need to satisfy providers of external funding.

Stock exchange lisitng

Companies seeking a listing on the New Zealand Stock Exchange must meet the following listing requirements:

- Minimum market value NZ $10 million
- Full compliance with NZSX disclosure and other requirements.

A New Zealand Alternative Market (NZAX) was introduced in late 2003 to provide a simpler approach for listing and capital rising for smaller companies.

Meetings

The Companies Act 1993 requires certain statutory meetings to be held.

- All companies must hold an Annual General Meeting of shareholders each calendar year within five months of the end of the company's financial year
- General meetings may be called by the directors or requisitioned by the shareholders at any time.

Powers and duties of officials running a company

A company can but is not required to adopt a constitution. Where a company chooses not to adopt a constitution, the directors and shareholders have the rights, powers, duties, and obligations set out in the Companies Act. Many companies will want and need a constitution and that constitution must have regard to certain requirements of the Act. A constitution may provide directors and shareholders with certain benefits and protections which may not otherwise be available under the Act.

The board of directors has the power to commit the company to practically any liability. The overall control of the company is vested in the directors. They may delegate their authority in whole or in part to staff or other persons.

The directors are responsible for overall management of the company; in exercising their powers they must act honestly, with diligence and with reasonable skill.

Each director has a fiduciary duty to the company and must not allow any personal interest to conflict with that duty. Each director must disclose any interest in any contractual relationships with the company and must also disclose any shareholdings or similar interests held in the company and changes therein.

The directors must present to the shareholders an annual financial report and directors report. The required contents of both are prescribed in the Companies Act 1993.

Local participation requirements

Foreign investment in New Zealand entities may be reviewable by the Overseas Investment Office (OIO). See page 9. The OIO has a base set of guidelines but judges each application on its merits.

Labour law

Employment law in New Zealand has changed significantly over the last two decades. The principal statute governing employment law is the Employment Relations Act 2000. This Act sets out to promote good faith in the employment relationship and the right of workers to bargain collectively. Employers and employees may bargain individually. Union membership is not compulsory.

Parties to an employment relationship must deal with each other in good faith and not do anything to mislead or deceive each other. Union representatives have a right to access a workplace at reasonable times for purposes related to Union business including the recruiting of Union members.

- Minimum wages have been established by the Minimum Wage Act 1983.
- The Holidays Act 2003 entitles employees to at least four weeks paid annual leave. Special fully paid leave of ten days annually (accruing to twenty) is also available to cover absences such as sicknesses or bereavement after six months of employment.

The Parental Leave and Employment Protection Act 1987 enables both parents to take specified periods of unpaid parental leave on the birth of a child.

Work permits for staff

Use of New Zealand labour is strongly encouraged. All overseas nationals, other than Australian nationals, who are not permanent residents in New Zealand, must have a Visa and a Work Permit to enter and work in New Zealand. Short-term Visas to enter New Zealand can usually be obtained relatively easily. Work permits are more difficult to obtain. Permits will generally be issued to those persons with specialised skills that are not available in the local workforce. Before work permits for visitors are issued, employers may be required to demonstrate that they have unsuccessfully pursued all avenues to recruit the required specialists locally.

3. FINANCE AND INVESTMENT

New Zealand is highly geared towards overseas trade and participation in international markets. Government policy is to welcome and encourage overseas companies seeking to invest in New Zealand.

The political and economic environments are attractive to overseas investors. In particular:

- Business activity operates generally in a free enterprise economy. Government involvement or control of private business activity is relatively minor
- Government policy is relatively stable irrespective of which major political party is in power
- Extremist activity is negligible
- New Zealanders enjoy a generally high standard of living
- Social, educational and community welfare services are highly developed
- Natural resources are extensive, forestry and primary production activities are at high levels and with relatively low population densities there is ample scope for immigration and relaxation
- Geographically New Zealand is close to the growth areas of Asia. Its situation on the Pacific Rim makes it an active participant in the economic development of the West Coast USA, Asia and Australia.

Recent Governments have built a sound economy to encourage foreign investment. The success of those economic policies is evident through strong growth in GDP, low underlying inflation and falling unemployment and public debt. Reforms in the labour market, the deregulation of currency controls, and the exposure of most industry sectors to international competition, essentially unprotected by import controls and unsupported by subsidies has led to New Zealand being recognised as one of the freest and most competitive economies in the OECD.

Basis of legal code

New Zealand is a common law jurisdiction. The law is developed from statutes passed by the House of Representatives and from case law. The common law has been derived from English common law as developed by the New Zealand Courts. New Zealand has a hierarchical structure of Courts to rule on the interpretation of statue passed by Parliament. The majority of legal matters are dealt with by the District Court with more demanding matters being handled by the High Court. There are two appeal Courts:

- The Court of Appeal
- The Supreme Court of New Zealand (which replaced the Privy Council in London as the Highest Court of Appeal in 2003).

Banking and finance

New Zealand has a decimal system of currency with the basic unit being the dollar. The currency was floated in 1985. The laws relating to currency control have been deregulated in New Zealand so that there are essentially no restrictions placed on the amount of funds which can be transferred in or out of the country. The significant exception to this is that persons entering or leaving New Zealand and carrying more than NZ $10,000 in cash are required to disclose this fact to New Zealand Customs.

The banking system is ultimately controlled by the Reserve Bank. The Governor of the Reserve Bank is required through monetary policy to keep inflation within a very narrow range (currently in the order of 0% to 3%).

The four major trading banks in New Zealand are Bank of New Zealand, ANZ Banking Group Limited, Westpac Banking Corporation and ASB Bank. All of these organisations are currently overseas owned. Other financial institutions include:

- Merchant Banks (which provide project finance and equity capital to industry and business generally)
- Short term money lenders (which provide short term project finance)
- Finance Companies
- Credit Co-operatives
- • Building Societies.

Exchange control

Following the deregulation of currency controls, there is little to prevent the free flow of funds into or out of New Zealand. Usual business transactions involving wire, bank draft or cheque transfers are no longer controlled.

Regulations are in place to prevent the laundering of cash from illegal operations.

Like many other countries, New Zealand has overseas investment controls which require foreign investors to obtain approval before they can invest in certain types of assets.

The primary controls on overseas investment are the Overseas Investment Regulations, administered by the Overseas Investment Office (OIO). The OIO aims to keep the degree of foreign ownership and control within acceptable bounds and restricts foreign investments in specific activities. However the New Zealand political environment is such that foreign investment is generally looked upon favourably.

A foreign investor is required to comply with the laws of New Zealand in the same manner as a New Zealand investor. The Companies Act 1993, the Partnership Act 1908, The Commerce Act 1986 and the Reserve Bank of New Zealand Act 1989 affect both foreign and domestic investors in the same way.

The New Zealand Government offers little in the way of incentives to business owners. Certain concessions have been made for investment in New Zealand produced films, but in general terms the business environment is unregulated and unsubsidised.

Since there is no form of State Government there is essentially no competition within the country for different regions seeking to attract new investment. Local Government does on occasion provide some incentive by way of rates relief, but this assistance is not widely available. Financial assistance can be obtained to a limited extent to assist with the completion of feasibility studies in respect of a new business proposal.

Portfolio investment for foreigners

An overseas person may require the consent of the Overseas Investment Office (OIO) before undertaking certain business activities in New Zealand. An overseas person means a person who is not a New Zealand Citizen and ordinarily resident in New Zealand and includes a company, partnership, or other body corporate incorporated outside New Zealand. It also includes a company incorporated in New Zealand where 25% of any class of shares are owned or controlled by an overseas person.

An overseas person will be required to obtain OIO consent in order to acquire or take control of 25% or more of:

- Business or property worth more than NZ $100 million
- Land over 5 hectares or worth more than NZ $10 million
- Any land on most offshore islands
- Certain sensitive land over 4,000 square metres (e.g. on specified islands, containing or next to reserves, historic or heritage areas, the foreshore or lakes)
- Exceeds 2,000 square metres and which includes or adjoins the foreshore.

No approvals under the Overseas Investment Regulations are required to acquire shares in a New Zealand company unless:

- The amount to be paid for the shares exceeds NZ $100 million; or
- The total value of the shares on issue exceeds NZ $100 million; or
- The gross value of the target company's assets exceeds NZ $100 million; or
- The company owns land or an interest in land.

In addition to the Overseas Investment Regulations overseas investment in commercial fishing in New Zealand is controlled by the Fisheries Act 1996.

If an overseas investor plans to establish a business or to purchase assets in New Zealand not involving land, no overseas investment consent under the Regulations is required unless the investment is expected to exceed NZ $50 million.

Any overseas person is free to purchase a residence or holiday house in New Zealand without any prior consent provided the property does not fall within the types of land requiring consent set out above (particularly coastal land over 2,000 square metres). However the ownership of a house or other property in New Zealand does not give an overseas person rights to reside permanently in New Zealand.

4. THE ACCOUNTING AND AUDIT ENVIRONMENT

Accounting regulations

Some large New Zealand, and all large overseas companies, must file annual audited financial statements under the Companies Act 1993. All Financial Markets Conduct (FMC) reporting entities must lodge annual audited financial statements under the Financial Markets Conduct Act 2013.

If required to prepare financial statements under NZ GAAP then the financial statements must also comply with IFRS reporting requirements.

Most NZ small to medium sized businesses are not required to adhere to NZ GAAP or IFRS and can apply the minimum reporting requirements specified by Inland Revenue Department (below).

Audit requirements

The Financial Reporting Act 2013 obliges companies to prepare financial statements annually. These must be audited unless all shareholders in the company agree otherwise.

The Securities Act requires an annual audit by a qualified auditor of the financial statements of every issuer of equity securities, debt securities or life insurance policies offered to the public and in the case of participatory securities, units in a unit trust, or interests in a superannuation scheme offered to the public, the financial statements for the scheme to which the securities relate.

Most small to medium sized companies are not required to prepare general-purpose financial statements. They are however required to prepare financial statements at least to a level specified by the Inland Revenue Department including:

- be based on double entry with cost-based accrual accounting a balance sheet with profit or loss account with supporting notes
- tax values can be used for the determination of income and expenditures and the preparation of the balance sheet
- a statement of accounting policies and changes
- a reconciliation between accounting income and taxable income
- certain related party transactions to be scheduled.

General purpose financial statements of a New Zealand company are required where:

- the company is a FMC* reporting entity
- large
- public entity
- the company has 10 or more shareholders who have not opted out of compliance (requires 95% majority votes); or
- have fewer than 10 shareholders but has opted into the requirement to prepare financial statements (5% of shareholders individually or collectively can require this by request in writing).Partnership

A company is large if one of the following applies:

- as at balance date of each of the two preceding accounting periods, the total assets of the company including subsidiaries, if any, exceeds $66 million
- in each of the two preceding accounting periods, the total revenue of the company including subsidiaries, if any, exceeds $33 million.

These thresholds are reduced for New Zealand incorporated subsidiaries of overseas companies to $22 million for assets and $11 million for revenue.

Overseas companies will be required to prepare financial statements if they are a FMC reporting entity or a large overseas company. A large overseas company is defined as having $22 million of assets or $11 million of revenue.

FMC reporting entities, large overseas companies and large New Zealand companies with 25% or more overseas ownership (including subsidiaries) are required to file audited financial statements with the Companies Office. For FMC reporting entities, the financial statements are required to be filed within 4 months of balance date whereas large Overseas Companies, large subsidiaries of Overseas Companies, and companies with more than 25% of overseas ownership are required to file audited financial statements within 5 months of balance date.

5. OVERVIEW OF THE TAX SYSTEM

Income tax is levied by Inland Revenue on behalf of central Government. The tax year runs from 1 April to 31 March. Exceptions to this cycle are available where the taxpayer is given approval to adopt a different balance date for business reasons (the most common being that the New Zealand Company is a subsidiary of a foreign company with a different balance date).

Corporate income tax

The tax rate for companies is currently 28%.

Residence

A company is resident in New Zealand if:

- It is incorporated in New Zealand; or
- It carries on business in New Zealand and has either its central management or control in New Zealand or its voting power is controlled by shareholders who are residents of New Zealand.

Foreign company branches

A foreign company (incorporated outside New Zealand) which has New Zealand sourced income and a permanent establishment in New Zealand such as a branch is taxed on its New Zealand sourced income in the same way as a resident company.

Consolidated tax returns

A consolidation regime is available to wholly owned group companies. Entry into the regime is entirely optional as there is no requirement for eligible companies to form a consolidated group. Effectively intra-group transactions are disregarded for tax purposes. Prerequisites for consolidation, other than the requirement that the companies are 100% commonly owned are that:

- All companies are New Zealand resident taxpayers; and
- All companies have the same tax balance date.

6. TAXES ON BUSINESS

Tax holidays

There are no provisions for tax holidays.

Depreciation allowance

A deduction for depreciation is allowable on property owned by the taxpayer and used or installed ready for use during the income year for the purpose of producing assessable income.

The rates of depreciation differ between asset classes. Both straight line and diminishing value rates are available.

From 1 April 2024 Commercial building depreciation rates are 0%, reduced from 2% diminishing value and 1.5% straight line priorly. No depreciation applies for residential buildings.

Assets with a cost of less than $1,000 (exclusive of GST) can be written off immediately.

No deduction is available for goodwill, leases or trademarks, but the cost of other fixed life intangible property may be written off over the life of the asset.

Depreciation claw back applies to sales of depreciable property. The profit on sale is taxed in the year of disposal. There are no provisions to spread the recovery either forward or back into other income years.

Losses

Losses may be carried forward indefinitely. There is no loss carry-back. A company's eligibility to deduct past losses is subject to compliance with 49% continuity of ownership test. Losses incurred by a subsidiary in a consolidated tax group will only be available to the parent entity subject to the test above. From the 2020-21 income tax year, a business continuity test permits tax losses to be carried forward if there is a breach in ownership continuity of a company, provided there is no major change in the nature of business activity in the company within five years following the change in ownership.

Interest payable

Interest is deductible if incurred in producing assessable income or in carrying on a business for that purpose which is not of a capital, private or domestic nature. Interest on debt paid to non-residents is subject to withholding tax deducted at source (generally at the rate of 10% or 15% on the gross amount). Where a thin capitalisation ratio of 60% is exceeded, a tax deduction for interest paid on the debt will, to the extent of the excess, be disallowed to the New Zealand taxpayer company.

Debt / Equity ratio restrictions

Foreign investment proposals are assessed to ensure they are structured in such a way that an appropriate amount of tax will be payable in New Zealand ('thin capitalisation rules"). The taxation rules are designed to discourage the proportion of debt funds to equity funds from exceeding 60% of assets. The interest on the excess debt funds is not allowed as a tax deduction in the New Zealand entity. There is however scope for flexibility in the application of this ratio in the light of commercial practices, although this involves some complex methodology.

Multinational firms trading in New Zealand must disclose further information as indicated on BEPS disclosure forms. Specifically, companies with $10 million or more of cross-border related party borrowing and companies with 40% or higher debt percentage.

Non allowable expenses

In general, deductions are allowed for all losses and outgoings incurred in producing assessable income, except losses or outgoings of capital, or those of a capital, private or domestic nature, or those incurred in producing exempt income.

However certain expenses are not allowable deductions, for example:

- Entertainment expenses (as to 50%)
- Fines and penalties
- Legal expenses (depending on the nature of the assignment) in excess of NZD$10,000.

Research and development

Taxpayers have the option of deducting research and development expenditure which is expensed under Financial Reporting Standard 13 (Accounting for Research and Development Activities) or its New Zealand International Financial Reporting Standards (NZ IFRS) equivalent, NZ IAS 38 Intangible Assets. Both treat research costs as an expense and require development costs to be expensed until the five criteria indicating the existence of an asset are satisfied. Such expenditure will be deductible provided that the general tax law tests of deductibility are met.

Companies may apply for a tax incentive and tax loss credit if eligible (from the 2019/2020 income year):

Research and Development tax incentive:

Operates as a tax credit, rewarding businesses and individuals who perform R&D activities to solve scientific or technological uncertainties. 15% tax credit for expenditure from $50,000 to $120 million per year.

Research and development loss tax credit:

This is a refund of up to 28% of R&D business losses on eligible expenditure for New Zealand tax- resident companies on or after 1 April 2015.

The R&D loss tax credit must be repaid when a business begins to make a profit or owes repayment tax following a loss recovery event.

Cashed out R&D losses must be paid before imputation credits can be claimed for business tax paid.

Exchange gains and losses

Exchange losses incurred on repayment of foreign currency loans are deductible as an ordinary business expense. Exchange gains are similarly assessable as ordinary income. Profits and losses on hedging foreign currency exposures are similarly treated.

Bad debts

Bad debts are deductible only if they have been written off during the year and either have been previously brought to account as assessable income or are in respect of money lent in the ordinary course of the business of money lending. This prohibits a deduction for a loss incurred on a loan to a taxpayer who is not in the business of lending money.

Tax audits

Intensive audits of taxpayers are conducted as part of the self-assessment tax process. The Inland Revenue Department appears to be extending the scope of their tax audit function and regularly targets particular taxpayers or industries for special attention. Civil penalties can be imposed for failure to declare income or for errors made in the process of so doing. The penalty regime is designed to encourage voluntary compliance with the tax legislation and ranges from a penalty of 20% of the tax shortfall for failure to take reasonable care through to 150% of the tax shortfall for tax evasion.

Dividends received

Under the dividend imputation system the income tax paid by a company is available to shareholders on payment of a dividend. Dividends received by one company from another are assessable in the normal manner, except in the case of dividends paid between New Zealand-resident companies that are in the same wholly owned group.

However, this exemption does not apply if common balance date requirements are not satisfied. This distorts the original purpose of the rules, which is to allow the movement of capital within a wholly owned group of companies and imposes an unnecessary compliance cost upon those companies.

Returns and payment of tax

Companies are required to self-assess their tax liability. Companies are required to calculate and remit their own tax by specified due dates.

Tax on account of the current years liability (provisional tax) is payable in instalments during the course of the income year. The dates of the instalments vary, according to the company's GST registration details.

Relief for foreign tax

Where credit is not given under a double taxation agreement credit is unilaterally given for foreign tax paid against the New Zealand tax liability on the same income.

Resident Withholding Tax (RWT)

In New Zealand, resident withholding tax applies to interest and dividends paid. The rate of RWT ranges from 10.5% to 39% depending on the taxable income of the recipient.

Dividends

Under the imputation system dividends paid to non-residents out of income which has borne company tax are nevertheless subject to the deduction of Non-Resident Withholding Tax (NRWT) at a rate up to 15% as per the table on page 22. To the extent that the dividend does not carry full imputation credits and is not paid to a country with which New Zealand has a double tax agreement the rate is generally 30%.

Imputation credits can be used under the Foreign Investor Tax Credit (FITC) regime. Broadly speaking when a resident company pays fully imputed dividends to overseas shareholders, the FITC regime has the effect of limiting the combined tax burden on the taxable income derived by the resident company and distributed as dividends to a non-resident shareholder to a maximum of 33%.

A Zero rate of NRWT applies to fully imputed dividend to a non-resident in certain circumstances.

Interest

In general terms interest derived by a non-resident is subject to withholding tax to the extent that the interest is an outgoing of a New Zealand business. Withholding tax on interest is at 15% of the gross amount of interest subject to a possible reduction under double tax agreements.

Alternatively if interest is payable on debt which is registered under the Approved Issuer regime, an Approved Issuer levy equal to 2% of the interest payable by the borrower can be paid in lieu of NRWT. This regime only applies where loans are between non-associated parties. The Approved Issuer levy paid in New Zealand is not available to the overseas recipient as a credit against their tax liability.

Royalties

In the absence of any double taxation agreement royalties are subject to a final withholding tax at 15% for interest and royalties and 30% for dividends.

Management fees

Management fees are not generally subject to withholding tax but subject to transfer pricing rules.

Non-resident contractors

Where a payment is made by a New Zealand resident to a non-resident contractor, Non-Resident Contractors' Withholding Tax (NRCWT) must be withheld at a rate of 15%. NRCWT is an interim liability only and the non-resident must lodge a tax return to determine its final tax liability.

It is possible to obtain a certificate of exemption from NRCWT if due to the terms of a double tax agreement, no New Zealand tax is ultimately payable. The residence provisions and the definition of "permanent establishment" are clearly important in this regard.

Fringe Benefit Tax

Fringe benefit tax applies to the value of most benefits provided to an employee or an employee's associates. The employer is liable for the tax on the GST inclusive value of the benefit at a rate of between 11.73% and 63.93% depending on the level of total remuneration paid to the particular employee. Fringe benefit tax is normally levied on a quarterly basis with an annual reconciliation. Fringe benefit tax is deductible to the employer.

Controlled foreign companies (CFC)

Non-resident companies owned substantially by New Zealand residents are exempt from New Zealand tax on active income. Dividend received from active companies by New Zealand Company is also exempt from New Zealand tax but attract tax when distributed to that company's shareholders. Passive income received by a controlled foreign company is attributed to the New Zealand shareholder. Passive income will not be attributed when it is less than 5% of the gross CFC Income or when the CFC is an Australian resident.

Gift duties

There are no Gift Duties in New Zealand.

7. PERSONAL TAXATION

Residence

The basic rule is that residents of New Zealand are taxable on their world-wide income. Generally, residents of New Zealand are those who have their home in New Zealand. By statutory definition resident means an individual is a resident of New Zealand for tax purposes if the individual resides in New Zealand within the ordinary meaning of resides or the individual satisfies any one of three statutory tests.

- They have a permanent place of abode in New Zealand (whether or not they have any permanent place of abode outside New Zealand); or
- They are personally present in New Zealand for more than 183 days in aggregate in any 12 month period; or
- They are absent from New Zealand in the service of the New Zealand Government.

If an individual is resident in more than one country at the same time, double tax agreements will govern in which country the person will be resident for tax purposes.

Individuals on short secondments may be exempt from New Zealand tax if they are not present in New Zealand for more than 183 days, their overseas employer is resident in a country with which New Zealand has a double tax agreement and their remuneration is not borne by the non-resident's place of business in New Zealand.

Where New Zealand does not have a double tax agreement the individual cannot be in New Zealand for more than 92 days if they wish to maintain non-resident status.

Income tax rates

The tax rates for individuals from 31 Jul 2024 are:

Income	Tax Payable
NZ $0 – $15,600	10.5%
NZ $15,601 – $53,500	$1,638 plus 17.5% of excess over $14,000
NZ $53,501 – $78,100	$8,270.50 plus 30% of excess over
NZ $78,101 – $180,00	$15,650.50 plus 33% of excess over
NZ $180,001 and over	39% of excess over $180,000

Income taxation

There is no distinction between business and other income in determining the computation of individual income tax liability. Partnerships (parties in receipt of income jointly) are not taxed as such, but must lodge a tax return. Partners include their share of partnership income or loss in their individual tax returns.

Trusts must lodge tax returns. The trust income can be treated as either beneficiary income if it is paid or applied to a beneficiary within the income year or within twelve months of the end of that year. Failing this it is treated as trustee income and taxed at a flat rate of 39%.

Accident Compensation levies

Individual taxpayers are subject to Accident Compensation Levies either by deduction from their wages and salaries as part of the Pay As You Earn (PAYE) system or directly in the case of self-employed taxpayers. The premiums are designed to cover both work related and non-work related accidents. A self-employed taxpayer pays on both accounts whereas an employee pays only earner premium for non-work related accidents. Cover for work related accidents for employees are met by the employer based on industry classifications and the level of payroll.

Non-residents

New Zealand tax applies to all income derived by a non-resident where the income is deemed by the Income Tax Act to have its source in New Zealand. Particular rules apply to non-resident athletes, entertainers, and the like who are subject to withholding tax regulations. In general terms the tax rates for non-residents are identical to those for New Zealand resident taxpayers.

Returns and payment of tax

Individual's income tax returns must be filed by 7 July. Extensions apply when returns are lodged through a registered tax agent. Individuals are subject to provisional tax in the same manner and on the same cycle as company taxpayers, although certain additional rules apply.

Estate duties

There are no estate duties or inheritance taxes in New Zealand.

Capital gains tax

There are no capital gains taxes in New Zealand. However some classes of transaction which could otherwise be regarded as being of a capital nature are subject to tax. These include:

- Sales of land and personal properties which were acquired with the intention of resale at a profit
- Gains on any financial arrangement including forgiveness of debt
- Annual increases in the value of certain foreign investments owned by New Zealand residents.

Brightline–line property rule

Bright-line test rules

Certain residential properties that are sold under the Bright-line test rules will be subject to income tax on the gains derived from sale of the property.

The Bright-Line Test rules apply to all residential investment properties bought on or after 1 October 2015. The current Rules are changing 1 July 2024.

The rules also apply to New Zealand tax resident who buy overseas residential properties.

Before 1 July 2024

Two year bright-line test rule

- Properties purchased on or after 1 October 2015 through to 28 March 2018 inclusive and sold within two years.

Five year bright-line test rule

- Properties purchased on or after 29 March 2018 and sold within five years.

Ten year bright-line test rule

- Properties purchased on or after 27 March 2021 and sold within 10 years.

On or after 1 July 2024

Two year bright-line test rule

- The bright-line property rule will only apply if the property is sold within 2 years of purchase.

Interest deductions restrictions

- From 1 October 2021 to 31 March 2025, there will be interest restrictions on residential property investors in terms of the level interest that can be claimed. These restrictions will not apply to newly built homes. From 1 April 2025 interest deductibility will be fully restored, and you will be able to claim 100% of the interest incurred.

Residential land withholding tax (RLWT)

If you're an offshore person and have a sale subject to the bright-line property rule, a withholding tax will be deducted at the time of the sale.

The residential land withholding tax (RLWT) should be deducted at the time of sale by your conveyancer. There is no automatic main-home exclusion for offshore persons

Goods and Services Tax (GST) and sales taxes

A 15% Goods and Services Tax (GST) operates in New Zealand. GST is an indirect broad based consumption tax with few exemptions. GST is intended to be borne by the final consumer of goods and services.

Business are able to register for GST and claim a credit for any GST they incur in conducting their business while charging GST on their sales. The excess of GST charged over GST paid is payable to the Inland Revenue Department. Where the reverse applies the Inland Revenue Department refunds the difference.

Registration for GST is compulsory when supplies made in New Zealand have exceeded or are likely to exceed NZ $60,000 in any 12 month period. GST returns are normally made every two months but for taxpayers whose supplies exceed $24 million per annum returns are required monthly.

Overseas businesses that sell low value goods (a physical good valued at NZ$1000 or less) to consumers in New Zealand may need to register for, collect and return GST.

Certain non-resident businesses providing goods and services to New Zealand residents in absence of a permanent establishment may be required to register for GST.

Double taxation agreements

New Zealand has agreements with a number of foreign countries to avoid the incidence of double taxation.

The agreements adopt two methods of relieving double taxation. Taxing rights over certain classes of income are allocated entirely to the country of residence. All other income may be taxed by the country of source but credit is given for foreign tax against the New Zealand tax on the same income. In the case of dividends, interest and royalties the source country's taxing powers are limited unless the income is connected with a business carried on through a permanent establishment in the source country. Withholding tax rates applicable to dividends, interest and royalties paid to beneficiaries located abroad are set out in Appendix 1.

8. OTHER TAXES

Customs duty

In general terms New Zealand has moved from using import licensing protection to using tariffs as the principal trade policy measure. The rate of duty on some goods is still relatively high by world standards. New Zealand is involved with a number of world and regional trade and economic agreements. The principle agreements are:

- CER (Australia New Zealand Closer Economic Relations Trade Agreement)
- New Zealand China Free Trade Agreement
- World Trade Organisation (WTO)
- New Zealand Taiwan Free Trade Agreement
- General Agreement on Tariffs and Trade (GATT).

New Zealand is a member of the Trans-Pacific Partnership Agreement, a free trade agreement being negotiated by the United States, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam.

New Zealand is also a member of the Asia Pacific Economic Co-operative (APEC). Agreement has been reached to pursue free trade amongst participating APEC nations by the year 2020.

Excise duty

Excise duty is levied on a small number of commodities including alcohol products, tobacco products and fuel for motor vehicles.

GST on Listed Services ("App Tax")

From 1 April 2024, online marketplace operators (also known as digital platform operators) will collect GST on all listed services provided through their online marketplace.

If you are GST-registered, from 1 April 2024 you will need to treat the supply of listed services sold through online marketplaces as a zero-rated supply on your GST return. You can continue to claim GST on the costs you incur in making these supplies.

If you are not GST-registered, from 1 April 2024 a new flatrate credit scheme will apply. Under this scheme your online marketplace will collect GST at the standard 15% rate. They will return 6.5% to Inland Revenue and will pass the remaining 8.5% to you. This flat-rate credit is for you to keep and recognises costs you incur when supplying these services.

If you are GST-registered and managing a property on behalf of someone who is not GST registered. Contact your accountant regarding the remittance of the 8.5% flat-rate credit

9. MOORE MARKHAMS IN NEW ZEALAND

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APPENDIX 1: RATES OF NON-RESIDENT WITHHOLDING TAX

Country of recipient	Dividends %	Interest %	Royalties %
Australia	0, 5 or 15	10	10
Austria	15	10	5
Belgium	15	10	10
Canada	0, 5 or 15	10	10
Chile	15	10 or 15	5
China (excluding Hong Kong)	10	10	10
Czech Republic	15	10	10
Denmark	15	10	10
Fiji	15	10	15
Finland	15	10	10
France	15	10	10
Germany	15	10	10
Hong Kong	0, 5 or 15	10	5
India	15	10	10
Indonesia	15	10	15
Ireland	15	10	10
Italy	15	10	10
Japan	0 or 15	10	5
Korea (South)	15	10	10
Malaysia	15	15	15
Mexico	5	10	10
Netherlands	15	10	10
Norway	15	10	10
Papua New Guinea	15	10	10
Philippines	15	10	15
Poland	15	10	10
Russian Federation	15	10	10
Samoa	5 or 15	10	10
Singapore	5 or 15	10	5
South Africa	15	10	10
Spain	15	10	10
Sweden	15	10	10
Switzerland	15	10	10
Taiwan	15	10	10
Thailand	15	10 or 15	10 or 15
Turkey	5 or 15	10 or 15	10
United Arab Emirates	15	10	10
United Kingdom	15	10	10
United States	0, 5 or 15	10	5
Vietnam	5 or 15	10	10

APPENDIX 2: PUBLIC HOLIDAYS

There are 12 statutory holidays in New Zealand. Individual provinces have one locally observed holiday.

The national holidays common throughout the country are:

New Year	January 1, 2
Waitangi Day *	February 6
Easter	2 days in late March or April
ANZAC Day *	April 25
Queen's Birthday	1 day in early June
Matariki	A Friday in June or July
Labour Day	1 day in late October
Christmas Day	December 25
Boxing Day *	December 26

* Monday-ised if falls at weekend.

Many New Zealand businesses operate on reduced staffing levels over the Christmas / New Year break.

MOORE GLOBAL NETWORK

At Moore, our purpose is to help people thrive – our clients, our people, and the communities they live and work in. We're a global accounting and advisory family with over 37,000 people in 558 offices across 114 countries, connecting and collaborating to take care of your needs – local, national and international.

When you work with Moore firms, you'll work with people who care deeply about your success and who have the drive and dedication to deliver results for you and your business. You'll have greater access to senior expertise than with many firms. We'll be here for you whenever you need us – to help you see through the maze of information, to guide you in your decisions, and to make sure you take advantage of every opportunity. To help you thrive in a changing world.

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