



*Independent legal & accounting firms*

---

## **Doing Business in New Zealand**

---

Edition No. 1 / September 2019





# Doing business in guide: New Zealand



**MSI's guide on Doing Business in New Zealand provides current information about the financial, regulatory and legal considerations that could affect business dealings within New Zealand. For further assistance please contact our MSI member firms in New Zealand.**

## Country overview

### Population & Geography

New Zealand has a total population of some 4.6 million inhabitants as at 2017. New Zealand is made up of a number of islands, the 2 principal islands being known as the North Island and the South Island. The capital city of New Zealand is Wellington located at the foot of the North Island. Auckland, which is located on the north of the North Island, is the country's commercial centre. Approximately 30% of New Zealand's population live in Auckland.

### Government

New Zealand operates under the Westminster system. The country is governed by a single parliamentary house of representatives of approx. 120 members. Members of Parliament are elected and selected through a mixed member proportional system. Elections take place every 3 years. The New Zealand Parliament passes laws which are given effect by the executive which is appointed by and reports to ministers appointed from the ranks of members of Parliament.

The British Crown is still represented in New Zealand through a Governor-General but that position, while constitutionally significant both historically and theoretically in some limited circumstances, does not carry day-to-day power.

New Zealand has an independent judiciary generally operating under an open system. Most courts are public and New Zealanders are free to comment on the outcomes of any dispute resolution process. The final court of appeal in New Zealand is the

Supreme Court which was established in 2003. The Supreme Court is made up of 5 judges presided over by the Chief Justice.

### Languages

The national language and the language of commerce is English. Indigenous Maori is also spoken by a significant number of persons and is used along with English for place names and on ceremonial occasions.

New Zealand is multicultural and many other languages including languages of the Pasifika, Asia, India and Europe are commonly spoken by immigrants.

### Currency

The national currency is the New Zealand Dollar.

### Economic summary

GDP: USD\$205.9 billion (2017)  
Income Per capita: USD\$38,441 (2017)  
Inflation: 2.44% (2018)

### Main sectors of the economy

New Zealand has a highly globalised economy and is greatly dependent upon international trade. New Zealand's main trading partners are Australia, the European Union, the United States, China, South Korea, Japan and Canada. New Zealand is party to a number of free trade agreements and treaties.

The primary production sector dominates New Zealand exports. That sector includes dairy, meat, wine, forestry, horticulture, agriculture and aquaculture. New Zealand's large-scale manufacturing industries include aluminium, food processing, metal fabrication, wood and paper products. New Zealand also has a sizeable service

sector which accounts for a significant proportion of GDP.

## Setting up a business

It is not essential for an overseas investor to set up a New Zealand registered company or other legal entity in order to conduct business in New Zealand. However, a foreign company conducting business in New Zealand may need to register on the overseas companies register depending on the activities being undertaken.

Generally, the barriers to setting up a business in New Zealand are relatively low though the impact of FATCA, CRS and AML/CFT regulation and heightened sensitivity to immigration and the sale of assets to overseas persons have all imposed more barriers in the last few years.

### Legal types of business entities

The following forms of business entity are in relatively common use in New Zealand:

1. Company
2. Overseas Company (branch office)
3. Partnerships
4. Limited Partnerships
5. Trusts
6. Incorporated and unincorporated joint ventures

The choice of structure will depend on the nature of the investment in New Zealand and taxation issues. It is imperative that time is spent at the outset to ensure a New Zealand business is structured effectively for both the local (New Zealand) and International perspective.

### Process of how to set up a business

A company, which is probably the most common form of investment vehicle utilised by overseas persons coming to New Zealand, is relatively easy and inexpensive to incorporate. Overseas persons may be shareholders and directors but there is a requirement for at least one New Zealand or Australian resident director and for the company to have a place in New Zealand where it can be served with documents.

### Financial year of taxes and financial accounts

The default balance date for businesses is 31 March. In some cases, a different date will be accepted by the Inland Revenue Department but there needs to be a good reason for that. There are agreed alternative balance dates for certain industries.

### Accounting and auditing

A small company may opt out of the audit regime and will not be required to file accounts. However, large companies must be audited and file accounts.

A company (other than an overseas company or a subsidiary of an overseas company) is large if it has assets in excess of NZD\$60 million and/or annual revenue in excess of NZD\$30 million. An overseas company or a subsidiary of an overseas company is large if it has assets in excess of NZD\$20 million and/or annual revenue in excess of NZD\$10 million.

### Economic and fiscal incentives

There are almost no incentives available for foreign investment into New Zealand. Likewise, there are limited incentives for local investment in New Zealand. Incentives are available for research and development and developing export products and markets by local entities.

There are recently introduced rules around the ability for foreign investors to purchase residential property in New Zealand. The rules encourage overseas investors to buy brand new property rather than existing property. The Overseas Investment Office (OIO) regulates the ability of foreign individuals and entities to purchase

property in New Zealand. The OIO focuses on the size of the land (i.e. purchasing a farm) and the sensitivity of the land. (The main focus here is on land the borders the sea, a lake or a river).

## Taxation

Compared to other tax jurisdictions, New Zealand has a very high rate of tax compliance and transparency.

The main forms of tax are:

- Income tax
- Goods and Services Tax (GST)

Company's pay a flat income tax rate of 28%. The tax paid can then be attached as a tax credit (known as an imputation credit) when the Company pays a dividend. However, most overseas jurisdictions do not recognise imputation credits.

Trusts pay a flat income tax rate of 33% unless the Trust allocates income to a beneficiary in which case it is taxed at the beneficiaries' marginal tax rate. Unlike other jurisdictions, the residency of the Trust is influenced by the Settlers and Trustees rather than the beneficiaries.

Individuals are taxed based on a series of marginal income tax rates:

- \$0 - \$14,000 – 10.5%
- \$14,000 - \$48,000 – 17.5%
- \$48,000 - \$70,000 – 30%
- \$70,000 + - 33%

Other taxes that can apply to New Zealand businesses are:

**Fringe Benefit Tax (FBT)** – this applies where benefits (such as vehicles) are made available to employees.

**Withholding Tax** – this is the tax withheld from interest payments

New Zealand has no gift tax or Estate duty. There are very limited capital gains taxes.

## HR/ Labour Law

### Employment law

Under New Zealand law all employees are governed by either an individual employment agreement, being a contract between employer and a single employee, or a collective agreement, being a contract between one or more employers and one or more unions which binds members of the unions who come within the agreement's coverage clause. For many years' unions have been of less significance in New Zealand than many other Western countries but with the recent election of a Labour led government the pendulum may be swinging back towards collective agreements.

New Zealand's employment relations regime requires employees to be dealt with in good faith and with procedural fairness. New Zealand employees cannot be dismissed at will but only for cause or in a genuine redundancy situation.

It is possible to have fixed term contracts and casual labour agreements, but an employer must take care in using such contracts as the Employment Relations Authority and the Employment Court will tend to interpret such contracts strictly in favour of the employee.

Similarly, it is possible to treat consultants as independent contractors but, again, care must be taken in using such contracts as they are frequently determined to be employment contracts with adverse consequences upon the employer.

### Social Security, payroll, tax and pension

Unlike many Western countries, New Zealand does not have specific Social Security or other payroll taxes.

There is no compulsory superannuation in New Zealand but New Zealand does operate a scheme called Kiwi Saver to which many employees contribute. Wages and salaries can be specified as inclusive of Kiwi Saver contributions meaning that the employer need not contribute over and above the agreed salary level.

Employee tax (PAYE or pay as you earn tax) is deducted by the employer and accounted for to the Inland Revenue Department at the end of each pay period (weekly, fortnightly or monthly). Employers are also liable to deduct any Kiwi Saver and student loan repayments.

### ***Payroll***

When starting a business and employing staff, the company must register as an employer with the tax authorities. Wage tax is generally paid monthly to the tax authorities. Larger employers are required to pay twice a month.

Distinct legislation applies to guide whether an individual contractor is deemed an employee or independent sub-contractor where the relevant compliance, withholding taxes and employment costs will apply.

### ***Visa and work requirements***

All overseas persons (other than Australians) who wish to work in New Zealand must obtain an appropriate work permit or Visa. There are a number of categories of permit which require specialist advice.

## Contact us

---

*The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in New Zealand should seek professional advice from our member firms before making any business or investment decision.*

### Contact our member firms in New Zealand to discuss your requirements:

#### Accounting member

**Mackay Bailey Limited**  
[www.mackaybailey.co.nz](http://www.mackaybailey.co.nz)

**Michael Woodward**  
[michaelw@mackaybailey.co.nz](mailto:michaelw@mackaybailey.co.nz)  
+64 (3) 341 0930

109 Blenheim Road  
Riccarton  
Christchurch

#### Legal member

**Keegan Alexander**  
[www.keegan.co.nz](http://www.keegan.co.nz)

**Andrew Barrett**  
[abarrett@keegan.co.nz](mailto:abarrett@keegan.co.nz)  
+64 (9) 303 1829

Level 24, 151 Queen Street  
Shortland Street  
Auckland 1140

MSI Global Alliance  
147-149 Temple Chambers  
3-7 Temple Avenue  
London EC4Y 0DA  
United Kingdom

[www.msiglobal.org](http://www.msiglobal.org)