

## CORPORATE ESTABLISHMENT IN NEW ZEALAND (NZ)

### **Standard NZ Company - (Fully Taxable in NZ)**

A standard NZ company is taxable at 30% of net income in NZ wherever the income is sourced from in the Worldwide and regardless of whether the shareholders are NZ residents or offshore residents. Therefore unlike some other structures (like for example the NZ Foreign Trust) the company is not a tax haven, but will operate appropriately if the business is being conducted within NZ and income is therefore being sourced from within NZ.

There is a double tax treaty between NZ and US and 34 other tax treaty countries. The treaties mainly assist by reducing non resident withholding tax on dividends declared by the NZ company on dividends, interest or royalty payments from one treaty country to the other. The annual responsibilities of a NZ company is to file a company annual return with the Companies Office in the month of registration in the year following registration. An annual tax return with financial accounts should be filed with the Inland Revenue within 3 months of the annual balance date (unless the company is listed on an Inland Revenue Agent by an accredited Agent).

### **NZ Limited Partnership - (No NZ Tax)**

This structure is similar to Limited Partnerships found in many other countries and the nearest equivalent of LLC's in US. The New Zealand LP will be a fiscally transparent entity and will suffer no tax in New Zealand on the basis it earns no New Zealand sourced income, assuming that the general partner and the limited partners in the LP are all non-New Zealand residents. It is possible for an LP of this nature to have only one limited partner (but perhaps more) and one general partner.

### **NZ Offshore Finance Company – (No NZ Tax)**

An alternative attractive solution for some clients to form a N.Z. Offshore Finance Company. With this structure it is appropriate to borrow from offshore residents and invest in AAA or AA rated banks, there is an Approved Issuer Levy (Government tax equivalent) of 2% of the interest actually paid to the offshore resident lender to the company. The company has to pay tax at 30% on the net profits however, but the profit can be held at a controlled low figure as the interest paid to the lender can be just a fraction lower than the Company could receive from the invested funds. However the owners of the company have to be independent of the lenders. There are other ways a NZ OFC can be formed to provide a more international type of Finance Company. In these situations we would normally recommend a NZ Limited Partnership or a NZ Foreign Trust without the "Approved Issuer Levy registration".

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### **The N.Z. Foreign Trust - (No NZ Tax)**

Is specifically designed for offshore clients and can only have an offshore settlor to obtain the tax free benefits which are available. Any income from investments sourced in N.Z., which provides the highest deposit rates in the Western World, is taxable to the trust (or beneficiaries if distributed to them). For example NZD10,000 deposited with AAA or AA rated bank provides an interest rate of approximately 4.5% per annum. Any other income sourced outside N.Z. is completely tax free to the N.Z. Foreign Trust.

This trust is suitable for foreign resident clients who wish to either carry out international business, or wish to protect their wealth assets producing income which if sourced outside N.Z. will be tax free in N.Z. N.Z. can provide all the advantages of jurisdictions such as Channel Islands, BVI etc. etc. but N.Z. does not have any tax haven connotations, so would be seen as a preferable non blacklisted jurisdiction. We provide the clients with a private trust company, to act as the sole trustee of the Foreign Trust. All the business is transacted through this trust company (or any income producing assets would be owned by this trust company). In addition to producing tax free income in N.Z. it will also work to secure assets (without disclosure of the settlors identity) and operate in the longer term as a succession instrument.

If required, some or all of the income can be retained in the trust (without distribution to the beneficiaries), however the non taxed profits can still be advanced as a loan to any beneficiaries via a back to back loan from the bank.

Additional care and advice should be taken by US citizens because of difficulties caused by their IRS.

### **NZ Agency Company – (Small amount of NZ Tax)**

A standard NZ company can act as an agent for an offshore company located in another tax efficient jurisdiction such as BVI. The NZ Agency Company under a written agreement could minimize its taxable agency commission to between 5 and 10%, with the balance of the earnings being received by the principal tax free. The NZ Agency Company provides a secure and clean face to the complete structure. This structure operates in a similar way to the UK Agency Company.

### **Controlled Foreign Company - (Active Business can defer taxes)**

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NZ, Australia, and US to name only some jurisdictions have legislation which enables (controlled foreign companies CFC's) owned by their residents and operating in certain offshore jurisdictions, if carrying out "active" business to defer receiving income - and paying the required tax, until the owners repatriate the income back to their resident country. Please note "Active" does not include investment businesses receiving interest, dividends, royalties, profits from Share Trading, Forex, etc.

### Background on NZ as a Jurisdiction

New Zealand is not blacklisted as a jurisdiction by any country or authority in the World. This makes it one of the premium jurisdictions. It gains additional credibility by being a member of the O.E.C.D. and WTO., and it is not part of the EU and is not directly influenced by the EU Savings Tax Directive.

New Zealand has Double Tax Treaties with 36 countries. If dividends, interest or royalties are earned by the New Zealand Foreign Trust in any of these 34 jurisdictions then it is possible that the New Zealand Trustee being resident in New Zealand may limit any withholding tax deducted at source to the lowest rate, which may likely be the final tax payable. (each treaty would require interpretation). By interposing operational companies and carefully selected holding companies (possibly Cyprus as an example), withholding taxes will not be deducted and all proceeds to the N.Z. Foreign Trust will be received tax free.

*The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained.*