

NEW ZEALAND INTERNATIONAL COMPANY INFORMATION

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NEW ZEALAND COMPANY TECHNICAL INFORMATION

Company status	Companies Act 1993
Type	Limited by Shares
Company ending in:	Limited (only, no Ltd, although permitted on Letterhead)
Language:	English
Constitution / Articles:	English
Time to incorporate:	Same day (Conditions apply)
Capital:	New Zealand dollar - not specified
Capital duty:	None
Share restrictions:	Bearer shares not allowed, shares are public information
Minimum # of Shareholders:	One
Minimum # of Directors:	One
Directors qualification:	Personal, local or overseas. NZ resident for Trustee Company
Secretary:	Personal, local or overseas
Registered Office:	NZ office and physical address required.
Registered Agent:	As above
Public information:	Company name, registrations, directors & shareholders +
Documents at Registered Office:	Statutory Registers
Accounting requirements:	Annual Return filed. Company must maintain proper records.
Annual Return:	Annual Return, directors, shareholders & changes.
Government fees:	NZ\$160
Where are meetings held:	Anywhere
Exchange controls:	None
Double taxation treaties:	Comprehensive list of countries. See below.
Exchange of information:	Yes
Taxation:	Tax on profits, comprehensive legislation
Special Notes:	Special Financial Institution Companies available

NEW ZEALAND FOREIGN TRUST

A new Trust taxation regime was introduced in New Zealand in 1988. One of the main purposes of the new regime was to counter the tax deferral and avoidance benefits obtained by New Zealand residents who utilised Trusts established in traditional tax havens.

A significant result of the regime is that a Trust with New Zealand resident Trustees, but settled by a non-resident Settlor is not subject to tax in New Zealand except on income which has its source in New Zealand. This is the case even if all the Trustees of the Trust are New Zealand tax residents with the consequence that the Trust itself would be regarded as a New Zealand tax resident. The tax advantage does not apply if there are any New Zealand resident beneficiaries.

In this way, a New Zealand "foreign" Trust can operate as a "tax haven" Trust. It could be regarded as the Trust equivalent of the former UK non-resident company: - providing all the benefits of a tax-haven entity, but with the huge advantages of appearing to be a resident of an onshore jurisdiction with a clean reputation.

New Zealand Foreign Trust Taxation Regime

This regime is sometimes known as "the Settlor Trust regime", because the tax treatment of the Trust is ultimately determined by the residency of the Settlor.

The principal aim of the regime is to prevent New Zealand tax residents avoiding or deferring their New Zealand tax liabilities through the use of offshore Trusts to hold offshore investments.

The regime identifies three types of Trusts for taxation purposes, being:-

- Qualifying Trusts
- Foreign Trusts
- Non-Qualifying Trusts

As Global Finnet does not offer Qualifying Trusts or Non-Qualifying Trusts, We will focus only on the Foreign Trust.

Foreign Trust

A Trust will constitute a foreign Trust if from 17 December 1987 or the date on which a settlement was first made on the Trust, until the date on which a distribution is made, no Settlor of the Trust has been a New Zealand tax resident. This is the case even if there are New Zealand resident Trustees. If there is any New Zealand resident Beneficiaries the New Zealand Tax Department is entitled to look into all the affairs and accounts of the Trust.

Taxation of Distributions

When a distribution is made from a foreign Trust to a New Zealand resident beneficiary, it will constitute a taxable distribution unless it represents a distribution of realised capital gains or the corpus of the Trust. In addition the capital gains must have arisen from transactions with persons other than associated persons.

The crucial thing however in respect of a foreign Trust is that a non-New Zealand resident beneficiary will not be subject to New Zealand tax in respect of any distributions unless the income has its source in New Zealand. Similarly, the Trustees of a foreign Trust will not be subject to tax in New Zealand except on income earned in New Zealand.

The relevant statutory provision is section 228.3 of the Income Tax Act 1976 which provides:-

"A Trustee is liable to income tax (and, if the Trustee is not a resident of New Zealand, as if the Trustee were resident in New Zealand) on Trustee income derived from outside New Zealand in any income year -

- (a) During which any Settlor of the Trust is resident at any time in New Zealand; or
- (b) During which the Trust is at any time a superannuation fund; or
- (c) During which any Trustee of the Trust was at any time during that income year resident in New Zealand and the Trustee is a testamentary Trust or an inter vivos Trust where any Settlor of the Trust died resident in New Zealand, whether in that income year or otherwise, however a Trustee is not otherwise assessable to income tax on any and all Trustee income derived from outside New Zealand. This is the basis on which we provide our New Zealand Trustee Structure.

The Settlor

Generally, a Settlor can be defined very broadly, and includes anyone who provides goods or services to a Trust for less than full market value, or acquires goods or services from the Trust for greater than market value. There are very extensive provisions designed to catch indirect settlements through nominees, and by other means. Consequently to preserve a Trust's foreign Trust status (so that it operates as a tax-haven Trust) it is crucial that no inadvertent settlements are made upon the Trust by a New Zealand tax resident. Global Finnet has a solution for the Settlor also; this can be discussed in person or by email.

The Advantages

The advantages of utilising a New Zealand foreign Trust as a tax-haven Trust can be briefly summarised as follows:

- No tax reporting obligations to the New Zealand Inland Revenue Department in respect of earnings derived outside of New Zealand.
- Common law and equity similar to that of the United Kingdom.
- Local administration and servicing costs are very low by international standards, and the conduct of business is generally de-regulated.
- The significant cosmetic appeal of a non-tax haven based Trust.
- Excellent communications, business and commercial infrastructure, and a high standard of professional services.
- Privacy to the ultimate beneficial owners afforded by the looser regulations of a reputable onshore jurisdiction.

Registration of Trusts:

There is now a requirement for all New Zealand Foreign Trusts to register with the New Zealand Inland Revenue Department; however it is evident that the New Zealand authorities are only interested in discovering if a Beneficiary of the Trust is a Tax Resident of Australia. Only minimal information is requested, and no specific details regarding beneficial owners needs to be provided.

Utilisation of New Zealand's Double Tax Treaties by a Foreign Trust

Because of the fact that a foreign Trust with New Zealand resident Trustees will be treated as a New Zealand tax resident, yet non-New Zealand sourced income is expressly declared to be

non-assessable for taxation, the possibility arises for this type of foreign Trusts to take advantage of New Zealand's vast double taxation treaties.

This can be regarded as a relatively aggressive use of the foreign Trust regime, and there are many technical aspects which must be carefully considered and discussed through consultation with Global Finnet.

NOMINEE COMPANY

A NZ company is incorporated and enters into an agreement with the offshore company. Under that agreement, which is committed to writing and executed by both parties, the NZ Company agrees that it will trade on behalf of the offshore company as its nominee. All contracts of purchase and sale, all the invoicing and all the general correspondence will be made in the name of the NZ Company and the NZ Company receives all the revenues from such business as nominee for the offshore principal. The agreement should state that all monies received are received as nominee for the principal save insofar as there will be an agreed fee which will be retained by the NZ Company. That fee may either be expressed as a flat fee for all the trading done on an annual basis (sufficient to cover the minimal costs) or, expressed as a percentage of the gross revenues received. The standard form is that 1 to 5% of the invoice total in respect of each transaction is retained by way of fee by the NZ Company.

HOLDING COMPANY

There may be many names for this type of company such as Dormant, Passive, Non-trading, Zero-rated etc, which can best be described as a company that does not trade, or receive income. This is a simple company type as it can always file a zero return and there are no issues in any way with taxation. Usually this type of company will not open a bank account in New Zealand as the risks become too high where interest may be received and is taxed as income.

A New Zealand Holding Company is a great vehicle for holding non-profit assets at arms length for any number of reasons. Clients often have a genuine and legal desire to hold assets in a company name, especially in a different country.

When a New Zealand Company holds shares as an investment, it will not be taxed on gains from the subsequent sale of shares unless it is in the business of dealing in such investments or acquired the shares for the purpose of sale or where the sale is a part of a profit making undertaking or scheme.

NEW ZEALAND DOUBLE TAXATION AGREEMENTS

Austria, Australia, Belgium, Canada, Chile, China, Czech Republic, Denmark, Fiji, Finland, France, Germany, India, Indonesia, Ireland, Italy, Japan, Malaysia, Mexico, Norway, Poland, Republic of Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, The Netherlands, The Philippines, United Arab Emirates, United Kingdom, United States of America.

NEW ZEALAND COMPANY AND TRUST PACKAGE IN EURO

The following package is a sample of a standard order. Global Finnet can work with you to create a package to exactly meet your requirements. Please let us know precisely what your clients need and we will be happy to put together a special offer for you.

	Year 1 Fee	Annual fee
Government charges		
Registered Agent		
Documentation		
Nominee Director		
Nominee Shareholder*		
POA		
Apostille		
Trust Deed		
Special fee for single company:	<u>€445.00</u>	<u>€305.00</u>
Special fee for order of 5 or more companies (each):	<u>€405.00</u>	<u>€305.00</u>

Price includes:

Constitution
Certificate of Incorporation
First Minutes
POA

⇒ *All bound with single
New Zealand Apostille*

New Zealand Foreign Trust – Registered with the New Zealand Inland Revenue Department
Undated Director Resignation
Declaration of Beneficial Ownership

Please note that with New Zealand Companies, they are liable for full corporate tax **unless they are set up as Trustee Company or Nominee Company in the correct way.**

**All New Zealand Companies must have greater than 75% of the Shareholding within New Zealand to avoid the requirement to file audited accounts.*

Annual fees do not include renewal of POA. Should you require this, please let us know so that we can provide an inclusive fee for you.

Cost of Courier has not been included. If your order is for less than ten Companies at any one time, please add €40.00 to the price above for EMS Delivery. If your order is for more than ten companies, we will pay the cost of courier to you.

For a full list of fees and charges, please email info@globalfinnet.com.