

A person with a backpack is standing on a rocky outcrop, looking out over a turquoise lake and a range of rugged, grey mountains under a blue sky with some clouds. The scene is framed by a large, white, curved graphic element on the right side.

FINDEX

Investing in New Zealand 2020



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Welcome to the Findex Investing in New Zealand

2020 GUIDEBOOK

This guide provides a quick reference for those interested in investing in New Zealand.

While it is not exhaustive, this guide aims to answer some of the key questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations and to obtain appropriate professional advice.

The guidebook will cover five main topics as follows:

- Establishing the business entity
- Tax information
- IPO quick facts
- Human resource requirements
- Withdrawal procedures





Introduction to *FINDEX*

Your story is our business

Behind every person and business is a story. At Findex – we start with understanding your reason to get up in the morning, your purpose. When we understand your story, we can help you through every step of your journey today, whilst helping you prepare for the challenges of tomorrow.

What we do

We provide uniquely tailored, integrated solutions for people, businesses, government organisations and institutions that transform and grow as their needs do.

Our story began over thirty years ago with a vision to provide a holistic offering to help clients achieve their financial and lifestyle goals, in one place. Now as one of Australasia's leading integrated advisory firms, we pride ourselves on a high touch, personalised approach to help our clients achieve their financial, professional and life goals.

Through our 110+ locations across Australia and New Zealand, we provide you with a single point of contact to oversee your affairs, working collaboratively with others from within Findex and the broader marketplace. Our scale allows us to offer competitive solutions from a location convenient to you, respond to international and national issues, while understanding and supporting local communities.





Establishing the business entity

1. Formation, costs and residential directors / agent requirements

New Zealand Resident Company

- A New Zealand Resident Company can be set up within 24 hours with the New Zealand Companies Office (NZCO).
- Taxation registrations including Inland Revenue Department (IRD) Number, Goods and Services Tax (GST), Pay As You Earn (PAYE) and Fringe Benefit Tax (FBT) may be required. This may take between two to four weeks.
- Every company must have at least one director that lives in New Zealand (or lives in Australia and is a director of a company incorporated in Australia).

Branch

- Register with NZCO as an overseas company carrying on business in New Zealand. Same IRD requirements as a company.
- At least one local agent required.

2. Investment incentives

Company and Branch

- a. Research & Development (R&D) funding and tax credits.
- b. Film tax incentives and grants.

3. Foreign ownership restrictions

Company

No limit on percentage of foreign ownership.

Branch

No limit on percentage of foreign ownership.

4. Work permits and visas

Company

Temporary work visas take around one (1) to two (2) months. In most cases, sponsorship by an employer requires significant documentation and security requirements. Further information can be obtained from our recommended migration agent or lawyer.

Branch

Same as for a company.

5. Accounting standards and audit requirements

Company

Accounting standards used in New Zealand are IFRS compliant. Lodgement of audited financial statements is required for companies with more than 25% foreign ownership and companies considered 'large'.

A subsidiary of an overseas company is 'large' if:

- Total assets of the entity and its subsidiaries (if any) exceed NZ\$20 million; or
- Total revenue of the entity and its subsidiaries (if any) exceeds NZ\$10 million.

An entity (other than an overseas company or a subsidiary of an overseas company) is 'large' if:

- Total assets of the entity and its subsidiaries (if any) exceed NZ\$60 million; or
- Total revenue of the entity and its subsidiaries (if any) exceeds NZ\$30 million.

Overseas Company

Accounting standards used in New Zealand are IFRS compliant. Lodgement of audited financial statements is required for an overseas company that is considered 'large'.

An overseas company is considered 'large' if one of the following tests are satisfied as at the balance date of each of the two preceding accounting periods:

- Total assets of the entity and its subsidiaries (if any) exceed NZ\$20 million; or
- Total revenue of the entity and its subsidiaries (if any) exceeds NZ\$10 million.

Audited financial statements will also be required to be lodged for the New Zealand Branch of the overseas company where the New Zealand Branch meets the definition of 'large'. Audited financial statements are required to be lodged no later than five months after balance date with the NZCO.

6. Residential directors / promoters requirements

Company

Every company must have at least one director that lives in New Zealand (or lives in Australia and is a director of a company incorporated in Australia). There are some restrictions regarding who can be a director of a company.

Branch

At least one local agent required.

7. Foreign ownership of land

Overseas investors seeking to invest in sensitive New Zealand assets (including high value businesses – worth over NZ\$100m), sensitive land, and fishing quotas must apply for consent with New Zealand's Overseas Investment Office (OIO) to acquire these assets. The investor must meet a number of criteria for a successful application and all decisions are published by the OIO.

Applications generally take 3–6 months and cost NZ\$20,000 plus legal fees.

New legislation has been enacted that restricts certain overseas persons from buying residential property in New Zealand. Under the new rules foreigners who are not ordinarily resident in New Zealand will generally not be able to purchase existing houses or other land classified as residential. The restrictions do not apply to Australian and Singaporean citizens.



At Findex, our specialists help
you to anticipate the impacts
of a rapidly changing

TAX LANDSCAPE





Tax information

1. Tax rates

Income Tax Individuals – New Zealand individual tax rates are marginal rates based on annual income and range from 10.5% - 33%.

Income Tax Companies – 28% Non-resident companies are taxed at the same rate of tax as resident companies.

Income Tax Trusts – Trustee income is taxed at the rate of 33%. Unit trusts are taxed as companies.

2. Other taxes

Good and Services Tax (GST)

GST is imposed at the rate of 15% on goods and services supplied in New Zealand.

Value Added Tax (VAT)

GST is a form of VAT.

Pay As You Earn (PAYE)

PAYE tax must be withheld from wages and salaries paid to employees and remitted to the Inland Revenue Department (IRD) at rates published by the Commissioner of Inland Revenue. PAYE includes both deductions for income tax and Accident Compensation Corporation (ACC) levies.

New Zealand individual tax rates are marginal rates based on annual income and range from 10.5% - 33%. If the individual fails to provide a tax declaration form, tax is required to be withheld at 45%.

Fringe Benefit Tax (FBT)

FBT is imposed on non-cash benefits provided to employees in respect of employment, generally at the rate of 49.25%, and is imposed on the employer.

Stamp Duty

There is no stamp duty in New Zealand.

Land Tax

There are generally no 'land tax' rules. However, certain land transactions may be caught under specific taxing provisions. New Zealand recently introduced Bright-Line Residential Land Rules which may require income tax to be paid on any gains from residential property investments that are disposed of within five (5) years of acquisition.

3. Branch income

New Zealand branch income is taxed on the same basis and at the same company tax rate as income of a New Zealand resident company. Under the business profits article of most of New Zealand's double tax treaties, the branch profits of an overseas enterprise will be taxable in New Zealand if the branch carries on a business in New Zealand through a permanent establishment and only to the extent that profits are attributable to the permanent establishment. There is no Branch profits remittance tax.

4. Income determination

Generally, businesses are assessed on an accruals basis.

A taxpayer may adopt the lowest of the cost, discounted selling price, market value or replacement value in valuing trading stock (generally, there is a requirement that the selected method is also used for financial reporting purposes).

New Zealand operates an imputation system in respect of dividends paid by corporations. New Zealand shareholders who receive a dividend from a company are entitled to an offset for the tax paid by that company. In the case of individuals, this reduces the total tax paid by the individual. A company credits its imputation account when it pays corporate tax or receives an imputed dividend.

Similarly a company debits its imputation account when it imputes a dividend.

Tax is paid on worldwide income derived by New Zealand residents. Under New Zealand's controlled foreign company regime, foreign entities controlled by New Zealand residents pay tax in New Zealand on an accruals basis. This regime generally applies only to certain passive income.

5. Deductions

Taxpayers are allowed deductions against income for expenses connected with the production of assessable income (normal business expenses). However, expenses of a capital or private nature may not be deducted.

Most companies are entitled to an automatic deduction for interest incurred. For other taxpayers, interest is generally deductible to the extent that the sum borrowed is used for the production of assessable income. However, the deductibility of interest may be restricted under New Zealand's transfer pricing (where interest paid exceeds an "arm's length" rate) and thin capitalisation regimes (where certain interest-bearing debt to asset ratios are exceeded). The current thin capitalisation safe harbour limit is 60%.

For purchases of plant, machinery and equipment, the cost may be deducted over the effective life of the asset (depreciated).

Tax losses may be offset against all income from the current accounting period or carried forward indefinitely for utilisation against future assessable income. However, companies that change more than 49% of their underlying ownership forfeit tax losses carried forward.

6. Group taxation policies

Under the tax consolidation rules, wholly owned New Zealand resident group companies can elect to be treated as a single entity for New Zealand tax purposes. The head company acts as a single representative of the group and is able to lodge company tax returns on behalf of the entire group.

A company's tax losses may be offset against another company's taxable income if the companies share 66% common ownership from the date the loss arose to the date of the offset.

7. Withholding tax

	Paid to non-treaty country	Paid to treaty country
Non imputed Dividends	30%	0 - 15%
Fully imputed Dividends*	0%	0%
Interest	15%	10 -15%
Royalties	15%	5 - 15%

** If the non-resident recipient has a direct voting interest in the company paying the dividend of 10% or more. Otherwise the withholding tax rate is likely to be 15%.*

8. Transfer pricing

New Zealand's transfer pricing laws exist to prevent companies with international dealings shifting taxable profits offshore through the pricing of goods, services, money, and other intangible property they buy from or sell to overseas associates.

9. Tax administration

The income tax system is administered by the Inland Revenue Department, which is headed by the Commissioner of Inland Revenue. There are no state or territory taxes in New Zealand.

10. Taxable incomes for non-resident companies and individuals

Non-residents are liable to New Zealand tax on all items of New Zealand sourced income, subject to any protection afforded them by a double tax treaty.

Individuals becoming New Zealand tax residents may qualify to be treated as “transitional residents” and qualify for a temporary tax exemption on some foreign income (this does not include foreign personal services income, e.g. salary and wages). The temporary tax exemption is for four calendar years (up to 49 months). The exemption starts on the first day of the month the individual qualifies as a New Zealand tax resident and ends on the last day of that month four years later.

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committed to impeccable quality
service, highly integrated service
delivery processes and a common
set of core values that**

**GUIDE DECISIONS
DAILY**





IPO quick facts

1. Bourses in the country

New Zealand Securities Exchange (NZX), which includes:

- a. A main board (NZX)
- b. A debt securities exchange (NZDX)
- c. A derivatives market (NZX Derivatives)

2. Standard admission requirements

New Zealand Securities Exchange (NZX)

- i. Market capitalisation of at least \$10 million.
- ii. Constitution which complies with NZX listing rules.
- iii. Corporate Governance requirements in terms of the NZX's Best Practice Code.
- iv. At least 100 members of the public need to hold at least 20% of the issued equity and each must hold at least a minimum holding.
- v. Non Standard (NS) listings may be granted by the NZX.

3. Typical issuance size

New Zealand Securities Exchange (NZX): Market capitalisation of at least \$10 million, no real guide.

4. Securities quoted allowed in foreign currency

No.

5. Requirements for the appointment of a resident/local director and board composition

The composition of the Board shall include the following;

- a. the minimum number of Directors (other than alternate Directors) shall be three; and
- b. at least two Directors shall be ordinarily resident in New Zealand; and
- c. the minimum number of Independent Directors shall be two or, if there are eight or more Directors, three or one-third of the total number of directors, whichever is greater.

6. Restrictions for foreigners

Certain takeover transactions may require Overseas Investment Office (OIO) approval.

7. Methods of offer and restrictions

Contact Auckland office for details.

8. Timeline

Generally a minimum of three (3) to five (5) months.

9. Approving authorities

Financial Market Authority (FMA) and relevant stock exchange.

10. Estimated cost involved

This varies across different sized companies. These include, but are not limited to:

- a. Listing fees
- b. Brokers & Underwriting fees
- c. Legal fees
- d. Accounting and audit fees

11. Restriction on secondary listing or dual listing

Possible in limited circumstances.

12. Language required for:

- a. Prospectus: English
- b. Annual reports: English
- c. Audit report: English

13. Audit opinion required for

a. IPO

A report from the auditor on certain prescribed matters is required for inclusion in the prospectus.

b. After IPO

A full audit under New Zealand Auditing Standards required.

14. Requirements of accounting auditors to be appointed

Only licensed auditors or registered audit firms as approved by the FMA may sign audit reports.

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CONFIDENCE**





Human resource requirements

1. Special labour standards to take heed of

New Zealand has extensive employment laws that aim to keep workplaces equal and fair. The Employment Relations Act 2000 (ERA) aspires to form positive employment relationships through the promotion of 'good faith' employment relations, tackle the inequality of power that may rise in employment relationships, encourage collective bargaining and warrant individual choice in employment. There are minimum entitlements for employees relating to areas such as annual leave, taking breaks, pay, public holidays and more. In New Zealand everyone has the right to work, the right to equal pay for equal work and the right to a decent income and working conditions – Universal Declaration of Human Rights, Article 23.

2. Social welfare: insurance, pension, etc

The Social Welfare system in New Zealand is mainly funded by general taxation. Welfare has been granted on the basis of need since the 1980's. The benefits that today's welfare system provides include:

- Support if you lose your job or are unable to work due to an accident or illness
- Assistance for families including the Working for Families package and maternity leave

- Financial support including New Zealand superannuation for elderly people and practical assistance
- Assistance with saving for retirement
- Help with accommodation, if needed.

The Accident Compensation Commission (ACC) provides a comprehensive, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand. This is paid for through ACC Levies. These levies are collected from individuals through the PAYE system and from employers through levies charged on their payroll.

3. Requirements for retirement benefits

The retirement age in New Zealand is 65 years of age. This does not mean employees have to retire once they turn 65; they are able to continue working for as long as they wish. New Zealand superannuation is obtainable if you are aged 65 and older. Those that are of age may also be eligible for help with living and housing costs as well as assisted living or retirement home costs.

Most people in New Zealand also take part in the KiwiSaver scheme. KiwiSaver is a voluntary, workbased savings initiative to help people with long-term saving for retirement. If an individual chooses to join, contributions are deducted from their pay at the rate of either 3%, 4%, 6%, 8%, or 10% (the individual chooses the rate) and invested for the individual in a KiwiSaver scheme. The employer will also make a minimum contribution of 3%. If the individual is self-employed or not working, the individual agrees with their KiwiSaver provider how much they want to contribute and makes payments directly to the KiwiSaver provider.

KiwiSaver savings are generally locked in until:

- a. The individual is eligible for NZ Super (currently age 65), or
- b. The individual has been a member for at least 5 years (if they joined over the age of 60)

An individual may be able to make an early withdrawal of part (or all) of their savings if they are:

- a. buying their first home
- b. moving overseas permanently
- c. suffering significant financial hardship
- d. seriously ill

4. Legal annual leave and public holidays

New Zealand employees are entitled to a minimum of four (4) weeks' paid holidays a year. This does not include public holidays or sick leave. The employees get their annual holiday entitlements on the anniversary of their starting date. These then accrue gradually during each year of service on a pro-rata basis and add up from year to year. Employees are able to exchange one week of their annual leave for cash each year. This must be at the employees request and must be in writing. Employers must let workers take at least two (2) weeks holidays at once if requested.

As well as four (4) weeks paid annual leave, employees are entitled to 11 public holidays per year, if the public holidays are on days that they would normally work. If employees volunteer to work on the public holidays they will be paid time-and-a-half and get a day's leave in lieu.

5. Brief information on labour unions

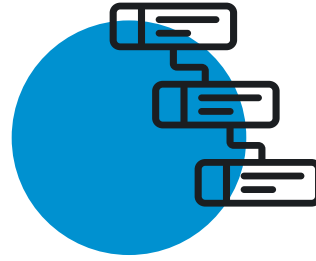
The New Zealand Council of Trade Unions (NZCTU) is a national affiliation of trade unions. It brings together over 320,000 union members in 31 affiliated unions. The purpose behind NZCTU is to lift the quality of working life and living standards of all New Zealand workers and so they do not have to face problems on their own.

Employees have the right to decide whether to join a union and, if so, which union. It is illegal for an employer (or anyone else) to put unreasonable pressure on an employee to join or not join a union.

Once employees have joined a union, employers must, if asked, enter into bargaining for a collective agreement with that union.

Union members can attend two union meetings (no longer than two hours each) per calendar year on pay and during normal working hours. They can require employers to deduct union fees from their wages and pay these to the union. Some members may be entitled to paid leave to attend employment relations education courses.





Withdrawal procedures

1. Company: legal procedures required for liquidation

For a solvent company, the directors can place the company into voluntary liquidation. Where a company is insolvent, the directors must appoint a liquidator as soon as they are aware the company is trading whilst insolvent or they can be personally liable for the company's debts. This process is more complex and requires specialist practitioners to undertake this work.

Local expertise, **GLOBAL CONNECTIONS**

Global network

Findex operates the Australasian arm of Crowe Global, ranked the eighth largest accounting network in the world. We're proud to be a member of this network, and celebrate that for over 100 years, members of Crowe have made smart decisions for multinational clients working across borders. These global ties are crucial for our work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. With exceptional knowledge of business, local laws and customs we provide lasting value to clients.



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