

# NEW ZEALAND LIMITED PARTNERSHIPS



*On May 2<sup>nd</sup> 2008 the Partnership Act 2008 was brought into power, recognizing New Zealand Limited Partnerships as a legal entity in New Zealand law. The change was codified and synchronized with tax system changes to the Income Tax Act 2007, Tax Administration Act 1994, Goods and Services Tax Act 1985 and passing of the Taxation (Limited Partnership) Act 2008.*

*Since then the Limited Partnership has become one of the leading international taxation planning vehicles, suitable for a spectrum of investors, businesses, and wealth management projects.*

***Perfect international business vehicle with 0% tax on profits distributed to overseas partners.***

## What is a New Zealand Limited Partnership?

The New Zealand Limited Partnership (LP) is an incorporated legal entity.

The LP is comprised of:

- at least one Limited Partner (any physical person or legal entity legal person)
- at least one General Partner (any physical person or legal entity legal person)
- written agreement, constituting the Partnership Agreement

The partnership will come into existence upon its registration with the Companies Office, and persons will only be considered partners when their name is entered into the register.

The Limited and General Partners can be any individual person, company, trust, or partnership. The Limited Partner and the General Partner are prohibited from being the same person.

The General Partner is responsible for the day to day management of the partnership and its assets, and is not required to make any capital contribution to the LP. This partner has unlimited liability for the obligations incurred by the LP.

The Limited Partner's is not liable for the debts of the LP beyond their own capital investments in the partnership. In order to maintain the limited status, the partner is not able to participate in the daily management or decision making of the operation, and is restricted to a set of "safe harbor activities".

## What are the advantages of a NZ LP?

### Taxation:

NZLPs are an exceptional and increasingly recognized international tax planning vehicle, and are a practical alternative to traditional "offshore" financial centers, with no New Zealand taxes incurred on non-NZ incomes distributed to non-resident partners.

### Contracting Efficiency:

The general partner acts as an agent for the LP and enters into contracts on behalf of the partnership, and the LP can enter into contracts under its own name.

### Privacy:

Details regarding the limited partner, and their capital contribution to the partnership, are not made accessible to the public.

### Lifespan:

The NZLP has no mandatory lifetime limit, and can exist in perpetuity. There is no requirement for the dissolution of the LP upon the exit of a partner, as long as the replacement partner is elected within the required time frame. No succession arrangements are needed in the occurrence of changes to the partnership make-up.

### Limited Liability:

The Limited Partner is guarded from liabilities arising out of the LP's activities, to the extent of their capital contribution to the partnership.

### Reputation:

The New Zealand Limited Partnership is an efficient business vehicle from a highly reputable jurisdiction, perfectly suitable for international investments, financial, banking and business operations, of any range and scale.



### Safe Harbor Activities

The safe harbor activities that may be carried out by the Limited Partner include, but are not limited to:

- involvement in decisions regarding the replacement or updates to the LP's partnership agreement.
- involvement in the decision making process regarding the approval or veto of a proposed investment proposal.
- involvement in discussions and decisions regarding alterations to the general nature of the LP and its business.

### Taxation on New Zealand LPs

New Zealand LPs are not taxed at the partnership level, allowing for the flow-through of income and expenses to partners. The LP's gains and losses are distributed between the partners in accordance with the proportion of their contribution to the partnership.

The incomes distributed from the LP to the non-resident partners will not be assessable for New Zealand tax purposes if they are sourced from genuine non-New Zealand transactions. In other words, there will be no New Zealand taxes seen on overseas sourced incomes derived by the partnership and allocated to non-resident partners.

Non-resident partners are subject to New Zealand taxation only on their New Zealand sourced incomes.



## Good Standing Maintenance of the Limited Partnership

Upon incorporation, the Limited partnership must register for an Inland Revenue Department (IRD) number for tax purposes. The partnership may also be required to register for a Goods and Service tax (GST) number, depending on the amount of income expected to be seen by the LP.

The LP will need to file tax returns and submit its financial statements on an annual basis with the IRD. The return must specify the incomes jointly derived by the partnership and the division of net incomes between the partners. However, as the LP does not pay taxes on a partnership level, the returns are filed on an informational basis only. The information must be submitted regardless of whether the partnership incurs a net loss or a net profit.

The New Zealand Limited Partnership is required to have a local Registered Office and address for service (these may be the same address).

The following documents must be kept at the Registered Office:

- the partnership agreement;
- accounting documents that accurately and adequately explain the transactions carried out by the LP;
- the financial statements and all other relevant documents for the partnership, for a period of 7 years.

The LP is obligated to file an Annual Return with the New Zealand Companies Office, which confirms the partnership's details.

## Setting up a Limited Partnership: How we can help

The Limited Partnership must be registered with the New Zealand Companies Office. Currently the process cannot be carried out electronically and must be completed with a manual paper application. Abaconda Management Group can provide you full service to establish an LP, begin operations, and maintain the LP's good standing status.

In order to simplify the affairs of your future business, and handle the initial intricacies of the start-up period, we can:

- To assist in the preparation of the partnership agreement that complies with the Limited Partnership Act 2008, ready to be signed by the partners.
- Supply you with consents of each General Partner
- Prepare details for the Limited Partner's registration (these will not be disclosed on the public register)
- Prepare details for the General Partner's registration
- Provide you with statutory services, such as registered office, address for service, postal address.
- Provide you with accounting and taxation services.
- Organize the entire registration process, and pay the relevant government fees.

## Practical use for a Limited Partnership

The practical implementations of an LPs are best illustrated via example.

A Swiss registered company and a Hong Kong based firm agree to register a New Zealand Limited Partnership. The Swiss company is a hotel management firm, and will act as the General Partner. The Hong Kong based company will act the Limited Partner, and will invest into the partnership \$ 10 million. The partnership is intended to build and run an international hotel in Singapore.

The hotel is completed with six months, and draws operational gross profits of \$15 million in the first financial year.

After the first year, the initial investment amount of \$10 million is returned back to the Limited Partner, along with the profit of \$5 million. When the distribution is complete, the Limited Partner leaves the LP, and the LP is closed. The General Partner is left with sole ownership of the hotel and concern for its continuing business.

A profit of \$5 million were sourced outside of New Zealand, and there is no New Zealand taxes applied to the profits received by the Limited Partnership and on capitals distributed to the Limited Partner by the LP. All distributions are transferred to Hong Kong, under the appropriate national legislations.



## Legal Disclaimer

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