

New Zealand's Zero Tax Business Structures



The New Zealand government has made a clear stance: non-New Zealand residence should not face tax assessments on their non-New Zealand incomes.

New Zealand was once a country with an economy inundated with slew of tariff controls, industry subsidies, import controls, high regulation and central control. Since 1984 the economy and national legislations have undergone extensive overhauls, optimizations, and updates. In the present day the economy is decentralized and open to international competition. With the change in the economy came a complete rethink of the government's policy towards international investment.

Today New Zealand offers several business structures which allow for a 0% tax on profits sourced from genuine offshore transactions and distributed to non-residents. This rate of taxation is not achieved through loopholes in legislations or any other potentially illicit means; it is a conscious effort by the government to encourage international investment into New Zealand. As such, the country's 0% tax structures will exist and be endorsed by the government for as long as the welcoming mentality stands.

New Zealand is the only OECD country to provide such beneficial tax treatments, making it a perfect option for wealthy investors and multinational business which are weary of turning to potentially dubious "offshore centers" or "tax havens". New Zealand's enjoys an excellent standing and reputation among the developed nations of the world, and is not in any way a black listed jurisdiction.

New Zealand Foreign Trusts

The New Zealand Foreign Trust was codified into New Zealand law in 1988, marking the country's first practical step towards its principal of not taxing overseas residents' foreign sourced incomes.

A New Zealand Foreign Trust is comprised of:

- non-resident Settlor; and,
- non-resident Beneficiary; and,
- a New Zealand Resident Trustee.

The New Zealand Resident Trustee is charged with managing the assets and affairs of the Trust. Within this capacity a Trustee company may carry out business on behalf of the Trust, including buying and selling assets or entering into contracts, or conducting business in New Zealand and overseas.

“...THE NEW ZEALAND FOREIGN TRUST WILL NOT FACE NEW ZEALAND TAXATION ON THE INCOMES DERIVED FROM ITS OVERSEAS ACTIVITIES...”

The New Zealand Foreign Trust will not face New Zealand taxation on the incomes derived from its overseas activities. When distributions of the Trust's non-New Zealand sourced incomes are made to the non-resident Beneficiaries, there will be no New Zealand income taxes arising for the Beneficiary. In accordance with the Trust agreement, there are no requirements for mandatory distributions during the lifetime of the Trust, and all incomes are allowed to be retained within the Trust.

New Zealand Limited Partnerships

New Zealand Limited Partnerships were established in New Zealand law in 2008, quickly gaining a positive reputation as a highly sought-after and valuable tool for international financial planning.

New Zealand Limited Partnerships consists of three essential elements: a Limited Partner, a General Partner, and a Partnership Agreement that binds their actions and obligations to the Limited Partnership. The funding for the Limited Partnership is generally sourced from the Limited Partner, with the General Partner typically not depositing any capital into the entity. The General Partner carries out the day-to-day management of the Limited Partnership and its business, with the Limited Partner being restricted to a prescribed set of actions (predominantly concerning making input regarding the Partnership's general direction). The General Partner holds unlimited liability for the obligations and debts accrued by the Partnership. The Limited Partner only faces liabilities to the extent of its capital contributions.

“...AS LONG AS THE PARTNERSHIP'S INCOMES WERE SOURCED FROM OVERSEAS, THE NON-RESIDENT PARTNERS WILL NOT BE SUBJECTED TO TAX IN NEW ZEALAND...”

The Limited Partnership is unable to retain its earnings and all of its profits must be distributed to the partners, in accordance with their proportion of the total capital invested into the Limited Partnership. As long as the Partnership's incomes were sourced from overseas, the non-resident partners will not be subjected to tax in New Zealand.





New Zealand Look-Through Companies

New Zealand Look-Through Companies (LTC) are the newest national entity which allow for tax free foreign incomes for non-residents. The LTC was first announced by the New Zealand government in May 2010, and were enacted on April 1st 2011.

The LTC is a regular New Zealand Limited Liability Company which has applied for and been approved to be an LTC. Prior to the application, all the shareholders and directors of the company must elect for the company to be an LTC. Once a company is registered as an LTC, its shareholders (instead of the company) are deemed to hold direct interest in its affairs, in proportion to the shareholdings. As such, the shareholders are seen as carrying out the LTC's activities, holding its assets, being party to any agreement made by the LTC.

“ ...IF THE SHAREHOLDER IS A NON-RESIDENT AND THE LTC'S INCOMES ARE DERIVED FROM OVERSEAS ACTIVITIES, THEN THERE WILL BE NO NEW ZEALAND TAX ASSESSMENTS APPLICABLE... ”

As the name might suggest, the New Zealand Look-Through Company does not retain its earnings, and they are distributed between the shareholders, in proportion to their shareholdings. The passed-through incomes are taxed at the shareholders personal tax rate. If the shareholder is a non-resident and the LTC's incomes are derived from overseas activities, then there will be no New Zealand tax assessments applicable on the pass-through incomes.

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How we can help

We can assist in the establishment and management of all New Zealand's business entities, but our expertise lies in the effective implementation and providing ongoing servicing of these 0% tax structures. Our prices are some of the most competitive on the international or New Zealand market, and we offer a premium services that is unmatched in other jurisdictions.

Abaconda Management Group offers its services of a custom tailored "as needed" basis. We could establish standalone entities, or form a network of entities working in unison to perform to a high-level customer's requirements and specifications.

Abaconda Management Group

556 Cameron Rd, Office 3
Tauranga South
Tauranga
3112
New Zealand

+64 9 88 9 22 77

info@abaconda.info

<http://abaconda.info>