



商業信託
Commercial Trust



Country Profile: New Zealand

The Facts

Location	Oceania, southeast of Australia
Languages	Official – English and Maori
Nationality	New Zealand
Religions	Protestant – 38.6% Roman Catholic – 12.6% None – 32.2% Others – 16.7%
Government	Parliamentary Democracy and a Commonwealth Realm
Head of Government	Prime Minister
Legislature	The Parliament
Constitutional Document	The Constitution Act 1986
Economy	New Zealand's economy was built upon on tourism and primary industries. Since there is no government intervention to banking and finance sector, the country's capital market is highly competitive. New Zealand Dollar ranks one of the top 10 most traded currency in the global foreign exchange market. It contributes largely to the total global exchange market far in excess of New Zealand's rank as a percentage of global GDP.
Currency	New Zealand Dollar (NZD)
GDP (2011)	Total – NZD 208.30 billion Per capita – NZD 47,166 Real GDP growth – +1.4%
Population	4,328,000 (approx.)
Percentage of population	European – 56.8% Asian – 8% Maori – 7.4% Pacific islanders – 4.6% Mixed – 9.7% Others – 13.5%
Area	267,710 km ²
Time zone	NZST (UTC +12) NZDT (UTC +13)
Public Holidays	National holidays – 11
Climate	Temperate with sharp regional contrasts



Sources: NZ Ministry of Economic Development, Central Intelligence Agency, Lowtax, International Monetary Fund

New Zealand

New Zealand, tagged as the youngest country on Earth, is an ideal destination to invest or setup a business. The country has a thriving, prosperous and developed market economy, with an estimated GDP of US\$28,250. New Zealand was also ranked 5th in the list of countries with the best Human Development Index in 2011.

Mentioned below are the reasons that make New Zealand a perfect place to invest in or setup a business.

The New Zealand Business Climate

Government Support

Setting up a business is a tedious process. There is no magic formula to suddenly convert an idea/product into a profitable prospect. For a business to be successful, what is required is a flexible and investor-friendly business environment. And for that to happen, the government's support is immensely relevant.

The government of New Zealand ensures that the interests of foreign investors are safeguarded. For instance, there is a dollar-for-dollar funding programme offered by the New Zealand government, which helps companies attain their objectives. In addition, for both international as well as local investors, there are a number of diverse schemes and programmes available, including plans for business startups and growth grants for support of researchers, charities, scholarships and much more.

Legal and Political Climate: Economic Freedom

When you build a business, you want to build it in a strong legal environment, and this is one parameter on which New Zealand scores. The country is often rated among the best in terms of economic freedom.

Currently, there is no capital gains tax charged in this country, which is a great relief for both entrepreneurs and investors. Investors frequently have various SPVs (Special Purpose Vehicles) to help them secure the least tax implications on their Return On Investment (ROI) in New Zealand.



Infrastructure and IT

What can prove to be a huge incentive for businesses is the fact that New Zealand is located centrally, between Asia and the US. The country is politically sound and does not depend on atomic power, since most of its energy comes from renewable sources.

Since many globally renowned companies, such as Google, Amazon and Facebook, are avid users of renewable energy, they have a strong presence in New Zealand. A majority of the nation's power comes from sources like hydro-electricity and geothermal sources.

Not just this, powerhouses such as IBM are on their way to establishing data centres that may well turn New Zealand into the business hub of the South Pacific. More power cables are being placed through the oceans, which will make the nation have some of the fastest and most direct cables in the world connecting Asia, Australia and the US.

In addition, there is hardly any traffic on the roads, and the climate makes NZ a perfect business destination.

Sustainability and Stability

Recently, we have seen the economic downturn affect the global economy on a large scale. And experts say that such a scenario may continue in the future. Obviously, nobody can say that New Zealand won't be impacted by it. However, it is a comparatively safe and stable location for setting up a business.

First, the country boasts ample resources, such as minerals, energy, water, which can easily sustain its population. And then, it ranks second on the Global Peace Index, which is hugely important in today's uncertain and unpredictable state of affairs.

Setting up a Business in New Zealand

Businesses generally choose one of three business structures in New Zealand

Sole Trader

A sole trader is an individual business owner who is entitled to all the profits made by the business. Not only does the sole trader manage business operations, he has the right to hold all the profits as well as the losses made.

A sole trader has the right to initiate the business without any legal formalities and has the facility to employ others. Many New Zealand based businesses begin as sole traderships, which later on expand and progress to evolve into a company.

Advantages:

- Negligible legal formalities
- Easy to run
- No requirement of any registration

Disadvantages:

- Only the sole trader is responsible for Owners the taxes, losses and debts, putting their personal assets at risk
- During the course, the owner may also put their personal assets to improve the health of the business
- Tougher to get loans
- Tough to sell the business as there may not be many buyers
- Life of the business is directly proportional to the life of the trader.
- It is necessary to ensure the availability of the name from the Companies Office and the Intellectual Property Office.

Partnership

A business that is established and run by two or more individuals is generally known as a Partnership. One of the most common forms of business in New Zealand, in a partnership each partner:

- Shares all the responsibilities in the business
- Equally shares the profits and losses, unless the agreement specifies other conditions.
- Is liable for all debts

A partnership isn't liable to pay income tax in New Zealand, since the income and profits is distributed among the partners. The partners there after pay the taxes individually.

Again, in case you opt for this structure, you would be required to check whether the name of your business is already protected by the Intellectual Property Office.



Advantages:

- No registration required
- Like profits, losses are also shared, ensuring that there is no pressure on any individual
- Sharing of business operation costs also acts as an asset

Disadvantages:

- Debts acquired by others may bind all the partners
- Involving personal assets
- Partnership conflicts may arise with time
- Ambiguity and complication arises in case of death of a partner

Limited Liability Company

A Limited Liability Company is a formal as well as a legal entity, and is a separate from the identity of its owners or shareholders. In New Zealand, registration is compulsory and requires an amount of around NZ\$163.55. This structure has gained popularity over time and is currently an extensively used form in New Zealand.

The primary reason for this is that a company develops a relationship between the shareholders and the management, which in turn strengthens the operations of the business.

Advantages:

- Fosters credibility of the business in the marketplace
- Easy to gather funds as well as investments
- It is also easier to sell the proposition in case of a company than the other structures
- In case of the shareholders, their liability in case of losses is only limited to the range of their shares.

Disadvantages:

- Many hierarchies in the management may create complications.
- Goodwill once lost may be difficult to restore
- Provision of personal guarantees to the various lenders as well as the creditors may prove to be risky

Trading Trust

Trading Trusts is another structure that can be adopted but is prone to complications. If you are considering this structure for your business, make sure you take expert advice before moving forward. It is important to discuss the scenario with your lawyer to see if this is the most appropriate form of business for you or if other business structures mentioned above can also be considered.

Co-operative

A co-operative business falls in a different category, as compared to the other forms of business. It is democratically controlled by the members or shareholders.

Those involved in a co-operative business aim to achieve a target or an objective that may be difficult to attain through individual effort. The capital of the business is contributed by the shareholders or the members. This participation in gathering of the capital is what determines the sharing of profits among the members.

Taxation

Operational businesses in New Zealand are liable to pay income tax on the profit earned in the particular financial year, which is April 1 to March 31 of each year for most businesses and companies.

If a business or a company has paid income tax of \$2,500 or more in the last financial year, the entity is known as a provisional tax payer.

In New Zealand, there are three ways to pay provisional tax – the standard method, estimated method and the GST Ratio option.

- The standard method implies that a business can pay the provisional tax payers through three installments, the decision regarding which is based on the previous year's liability of the business.
- This method is a commonly used one in New Zealand. Here, the tax payer has the option of estimating his tax payment himself. This helps the owner of the business pay the tax amount in sync with the performance of the business. Since all the payments have an interest amount attached to them, it is better to estimate profits correctly.
- A tax payer can also use the GST ratio method to pay the provisional tax. This option is based purely on your residual tax and the GST taxable supplies. You can calculate this percentage and apply it to the current period. In this method, the provisional tax is generally paid at the time of the payment of the GST.

In addition, companies are liable to pay income tax at the rate of 28% on profits. Tax rates for self employed as well for employees are same.

Banking Requirements

New Zealand boasts a relatively open policy when it comes to new registered banks. This is because the country's lawmakers feel that an increase in competition is likely to provide better results. This has resulted in a substantial de-regulation of the banking industry in New Zealand.

Currently, there are as many as 19 banks in New Zealand. However, few of these banks operate on a full retail business model. The most popular banks in New Zealand are:

- ANZ National Bank Limited
- ASB Bank Limited
- Bank of New Zealand
- Westpac (through Westpac New Zealand Limited and Westpac Banking Corporation)
- Kiwibank (which is owned by and run through New Zealand's postal operator).



Immigration and Visa Requirements

New Zealand, like most other countries, is keen to attract and invite investors as well as business propositions from around the world.

The three main elements of Business Migration Visas in New Zealand are:

- **Long Term Business Visa (LTBV):** This is a three year work visa, with a purpose of providing ample time for the visitor to move to New Zealand and set up his business.
- **Entrepreneur (Residence):** If a business has successfully crossed the age bar of two years, the owners are liable to apply for New Zealand Residence as an entrepreneur.
- **Investor (Residence):** This is a category for those individuals who are willing to invest in New Zealand without actually starting a business or a company.

The following documents are required for applying for a New Zealand Visa:

- Completed, signed application form.
- Appropriate application fee.
- Two passport-sized color photographs.
- Passport or travel document.
- Medical and chest X-ray certificates if required by Section C: Health certificate
- Police certificates if required by Section D: Character certificate

Reference

Ministry of Economic Development	www.med.govt.nz
Lowtax – Global Tax & Business Portal	www.lowtax.net
Central Intelligence Agency	www.cia.gov
BUSINESS.GOV.T.NZ	www.business.govt.nz
New Zealand Trade & Enterprise	www.nzte.govt.nz/get-ready-to-export/starting-a-business/pages/starting-a-business.aspx
Clendons Barristers & Solicitors	clendons.co.nz/setting-up-business-in-new-zealand.html
ASB Creating Futures	www.asb.co.nz/business/accounts-and-services/setting-up-your-business
International Monetary Fund	www.imf.org

Contact

Website: www.cmltrust.com

Email: inquire@cmltrust.com

Tel: +852 2162 7371