



New Zealand: an offshore vehicle in an onshore jurisdiction

Origins

The decision made at the G20 meeting on 2 April 2009, allowed to the whole jurisdictional playing field to get a prestigious position, when the old-style “offshore” tax havens were challenged and were conditioned by the major nations including, USA, UK, France and Germany in their drive to recuperate their ability to collect taxes they had seen vanishing from their grasp. OECD afterward classified the tax efficient countries into effectively White, Grey and Black lists. It then provided the Grey and Black listed countries the ability to improve their rankings only if they could satisfy the OECD that they had concluded Tax Information Exchange Agreements (TIEA’s) with sufficient numbers of OECD member countries to effectively remove the previous secrecy that had existed and provided client protection. This move was in addition to the Double Tax Treaties which the OECD had been inspiring jurisdictions to conclude over several years.

The mixture of these OECD moves was the most dramatic of moves along with the U.S. efforts to break the Swiss Banking secrecy. The consequence was that UBS bank was forced to hand over to the US authorities information on over 4,700 accounts operated by U.S. citizens.

After all these variations it would be difficult to still claim that there is any genuine secrecy remaining. Consequently the “offshore” industry now appreciates they can get equal, if not better results with reduction of tax, asset security and succession plans, from utilising New Zealand which is “onshore” without tax haven connotations, and often less expensive than the traditional tax havens.

More benefits of New Zealand

It has never been considered black listed by any jurisdiction or authority in the World, or by O.E.C.D. as a harmful tax jurisdiction, and has no connotations as a tax haven. It is a member of the O.E.C.D. and the World Trade Organization. There are no capital gains taxes, inheritance taxes, forced heirship or stamp duties.

New Zealand is a member of the British Commonwealth, English is the basic language, has a common law system, and the majority of legislation including trust law is founded on British law. It has the same day time zone for the Asia Pacific region and is usually 12 or 13 hours ahead of Europe.

It is not a member of the EU, and consequently is not directly under the EU Savings Tax Directive, and can deliver Apostilled and Notarised documentation.



In today's unstable times New Zealand is appreciated as a safe location and promises long term security. It has a Westminster style Government and together with its administration, is sure, competent and free from corruption. New Zealand has a well-built infrastructure, including a progressive and strong economy, well-organized and effective telephone and internet services, inexpensive and regular air travel, consistent internet global banking services, qualified, reliable professionals serving global clients with tax advice and tax opinions in addition to the preparation and administration of Trusts, Companies and Limited Partnerships.

New Zealand Agency Company – Small amount of New Zealand Tax

A characteristic NZ company can act as an agent for an offshore company situated in another tax efficient jurisdiction such as BVI. The NZ Agency Company under a written agreement could minimize its taxable agency commission to between 5 and 10%, with the balance of the earnings being received by the principal tax free. The NZ Agency Company provides a secure and clean face to the complete structure. This structure operates in a similar way to the UK Agency Company.

New Zealand Limited Partnership - No New Zealand Tax

This structure is alike to Limited Partnerships found in many other countries and the nearest equivalent of LLC's in US.. The New Zealand LP will be a fiscally clear entity and will suffer no tax in New Zealand on the basis it earns no New Zealand sourced income, assuming that the general partner and the limited partners in the LP are all non-New Zealand inhabitants. It is possible for an LP of this nature to have only one limited partner (but perhaps more) and one general partner.

The New Zealand Foreign Trust - No New Zealand Tax

Is specially planned for offshore clients and can only have an offshore settlor to obtain the tax free benefits which are accessible. Any income from investments sourced in New Zealand., which provides the highest deposit rates in the Western World, is taxable to the trust (or beneficiaries if distributed to them). For example NZD10,000 placed with AAA or AA rated bank provides an interest rate of approximately 4.5% per annum. Any other income sourced outside N.Z. is completely tax free to the N.Z. Foreign Trust.

This trust is proper for foreign local clients who wish to either carry out international business, or wish to protect their wealth assets producing income which if sourced outside N.Z. will be tax free in N.Z. N.Z. can provide all the advantages of jurisdictions such as Channel Islands, BVI etc. etc. but N.Z. does not have any tax haven connotations, so would be seen as a preferable non blacklisted jurisdiction. We provide the clients with a private trust company, to act as the sole trustee of the Foreign Trust. All the business is transacted through this trust company (or any income producing assets would be owned by this trust company). In addition to producing tax free income in N.Z. it will also work to secure assets (without disclosure of the settlors identity) and operate in the longer term as a succession instrument. If required, some



or all of the income can be retained in the trust (without distribution to the beneficiaries), however the non-taxed profits can still be advanced as a loan to any beneficiaries via a back to back loan from the bank.

Extra care and advice should be taken by US citizens because of difficulties caused by their IRS.

Standard New Zealand Company - Fully Taxable in New Zealand

A normal NZ company is taxable at 28% of net income in NZ wherever the income is sourced from in the Worldwide and regardless of whether the shareholders are NZ residents or offshore residents. Therefore unlike some other structures (like for example the NZ Foreign Trust) the company is not a tax haven, but will work appropriately if the business is being conducted within NZ and income is therefore being sourced from within NZ.

There is a double tax treaty between NZ and US and 36 other tax treaty countries. The treaties mostly contribute by reducing non-resident withholding tax on dividends declared by the NZ company on dividends, interest or royalty payments from one treaty country to the other. The annual responsibilities of a NZ company is to file a company annual return with the Companies Office in the month of registration in the year following registration. An annual tax return with financial accounts should be filed with the Inland Revenue within 3 months of the annual balance date (unless the company is listed on an Inland Revenue Agent by an accredited Agent). NZ Securities annual fees as an agent are Euro 450 for registered office plus annual fees for any Seychelles director and shareholder, or NZ nominee shareholder.

New Zealand's Double Tax Agreements and TIEA's

If payments, interest or royalties are received from investments flowing from 36 main trading partners where there exist double tax agreements (DTA's), then the rates of withholding tax are normally reduced to between 10-15%. For instance US dividends usually have a 30% withholding tax where a non-double tax treaty country is a recipient, nevertheless this could be reduced to 15% in the New Zealand position. This would be a final tax in situations where no New Zealand tax is paid by a tax effective structure. There are also other benefits provided by double tax agreements. The exact countries are:

Australia, Austria, Belgium, Canada, Chile, China, Czech Republic, Denmark, Fiji, Finland, France, Germany, India, Indonesia, Ireland, Italy, Japan, Korea (Republic of), Malaysia, Mexico, Netherlands, Norway, Philippines, Poland, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, and United States. Higher rates of Non Resident Withholding Tax may apply to other countries.

New Zealand has 18 TIEA's with Anguilla, Bahamas, Bermuda, BVI, Cayman Islands, Cook Islands, Dominica, Gibraltar, Guernsey, Isle of Man, Jersey, Marshall Islands, Netherlands



Antilles, St Christopher and Nevis, St Vincent and Grenadines, Samoa, Turks and Caicos Islands, Vanuatu.

Controlled Foreign Company - Active Business can submit taxes

NZ, Australia, and US to name only some jurisdictions have legislation which allows (controlled foreign companies CFC's) owned by their residents and operating in certain offshore jurisdictions, if carrying out "active" business to defer receiving income - and paying the required tax, until the owners repatriate the income back to their resident country. Please note "Active" does not include investment businesses receiving interest, dividends, royalties, profits from Share Trading, Forex, etc.

For more information please contact us at info@trust4trust.com