TAX PLANNING WITH NEW ZEALAND
NEW ZEALAND CORPORATE VEHICLES

1- NEW ZEALAND FOREIGN TRUST

A New Zealand Foreign Trust is a trust entered into by a non-resident Settlor with a New Zealand Resident Trustee for the benefit of non-resident Beneficiaries, where no income is earned in New Zealand.

So, if the trust is a foreign or non-resident trust, the trust pays absolutely no tax on all non- New Zealand sourced income. That means if the trust makes capital gains on shares, Forex, precious metals, property, business (including internet business) it pays absolutely no tax whatsoever on its income.

Trusts are considered “sacred cows” in New Zealand law and if properly structured cannot be set aside by a court, by a government, by a wife, by a creditor or by any inheritance disputes. They are the legal fort Knox of asset protection.
Trusts can trade, invest in assets of any kind, hold or sell property, invest overseas and even play on the stock exchange.

ADVANTAGES AND TAX REGULATION:

- Under the New Zealand’s income tax law, when a non-resident settlor establishes a trust with a New Zealand resident trustee which does not derive New Zealand sourced income, that trust, its trustees, and the non-resident beneficiaries are not liable for New Zealand taxation.
- If the beneficiary receiving the taxable distribution from a foreign trust is not a New Zealand resident, they will only have to pay New Zealand income tax on any part of the taxable distribution that came from a source in New Zealand. If the funds are invested into a non-resident trust outside of New Zealand no tax is payable on that income in New Zealand.
- There is no capital gains tax in New Zealand. Any capital increase in the value of the trusts’ assets is therefore not taxable.
- Recognized by other countries and jurisdictions.
- No audit of the accounts of the Foreign Trust is required.
- No Government registration of the Foreign Trust is required.

2- LOOK-THROUGH COMPANY

The company regime was called “Look Through” because the company is “looked-through” for income tax purposes. In other words, an entity passes through income, expenses, gains and losses to its shareholders (owners). LTC is not taxed at a company level, all its income flows to its shareholders. In essence, fiscally it means the non-resident shareholders of a LTC are able to pay no tax in New Zealand as long as their income of the New Zealand look through is derived from offshore.

A company must have the following general requirements to being entitled to elect Look-through tax treatment:
1-Must not have more than five owners (shareholders). Related owners are treated as one.
2-Shareholders are non-resident physical persons, trustees or another LTCs;
3-It must be registered with the tax department of New Zealand as a Look through structure.

In order to not being taxed in New Zealand, a LTC should have the following requirements:
1-The shareholders are non-resident physical persons or trustees;
2-The shareholders receive their share of profit and loss from non-New Zealand sources.

3- THE LIMITED PARTNERSHIP STRUCTURE

Limited Partnership are a form of partnership involving General Partners, (who are liable for all the debts and liabilities of the partnership) and Limited Partners (who are liable to the extent of their capital contribution to the partnership.
Limited Partnerships can be used for asset planning in a number of different ways.
A limited partnership will not be subject to tax on its profits in NZ. All profits flow through the structure and are taxed in the investors’ own jurisdictions.
Because a Limited Partnership is a separate legal entity it can be used as a direct asset holding vehicle in the same way as a holding company might be used. Such a limited partnership can be beneficially owned by a trust, company or an individual resident anywhere in the world.
Limited partnerships can be used to hold passive income producing assets or as an active trading entity.
All profits generated by the Limited Partnership will flow through the structure to the limited partners who will each be taxed as appropriate to them.
A New Zealand Limited Partnership can be used for just about any purpose and is ideally suited to investment funds. They are also particularly suitable as the underlying asset holding vehicle for a New Zealand foreign trust. Having both the trustee and the asset holding vehicle established in the same jurisdiction simplifies administration of the structure, reduces legal complexities and extends to the underlying entity the benefits of New Zealand as a reputable jurisdiction.

4- THE NEW ZEALAND FINANCE COMPANY OR FINANCIAL SERVICES PROVIDER (FSP)

The company is effectively issued permission by the Ministry of Economic Development to offer financial services or in the words of the legislation becomes a responsible financial services provider.

Once registered the FSP can offer virtually all the services of a bank. Thus it can:

- Borrow or lend money at interest;
- Offer brokerage services including Forex trading;
- Take deposits and act as escrow agent;
- Act as a merchant bank;
- **Act as non-bank deposit taker ***
- Offer banking type services via the internet including PayPal;
- A financial adviser service;
- A broking service;
- Acting as a deposit taker as defined in the Reserve Bank of New Zealand Act 1989;
- **dealing in futures ***
- Keeping, investing, administering, or managing money, securities, or investment portfolios on behalf of other persons;
- Providing credit under a credit contract;
- Operating a money or value transfer service;
- Issuing and managing means of payment (for example, credit and debit cards, cheques, travelers' cheques, money orders, bankers' drafts, and electronic money);
- Giving financial guarantees;
- Participating in an offer of securities to the public in either of the following capacities (within the meaning of those terms under section 2(1) of the Securities Act 1978);
- **As an issuer of the securities; ***
- **As a promoter**; *
- Acting in any of the following capacities (within the meaning of those terms under section 2(1) of the Securities Act 1978) in respect of securities offered to the public;
- **As a trustee; ***
- **As a statutory supervisor; ***
- **As a unit trust; ***
- **As a superannuation trustee; ***
- **As a manager**; *
- Changing foreign currency;
- **Entering into derivative transactions, or trading in money market instruments, foreign exchange, interest rate and index instruments, transferable securities (including shares), and futures contracts on behalf of another person**; *

- **Providing forward foreign exchange contracts**; *
- **Acting as an insurer**; *
- Providing any other financial service that is prescribed for the purposes of New Zealand complying with the FATF Recommendations, other recommendations by FATF, or other similar international obligations that are consistent with the purpose of this Act.
- Fund management companies
- Funds

*: Require extra licensing.

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