This report provides helpful information on the current business environment in New Zealand. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.

Global Banking Service

Report on New Zealand

Contents

RBC Royal Bank®

Important to Know

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- English
- Maori

Currency

- Dollar (NZD)

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Source: www.goodbusinessday.com.

Types of Business Structure

Under New Zealand law, there are several business structures available, of which limited liability companies are the most common.

Limited liability company

Ltd. (Limited). Ltd. applies to both public and private limited liability companies in New Zealand. This is a company which operates as a legal entity separate from its owners and shareholders. This requires no minimum share capital, but there is a small fee to register with the Registrar of Companies.

General partnership

In a general partnership, all partners have full and joint liability. A partnership is not a separate legal entity from its owners and shareholders. This requires no minimum share capital. A partnership is formed with at least two partners.

Limited partnership

In a limited partnership, some partners enjoy limited liability (silent partners) although they are not permitted to exercise managerial control. Other partners are considered general partners and have unlimited liability. This requires no minimum share capital. A partnership is formed with at least two partners. An Overseas Limited Partnership is a partnership formed abroad which is engaged in business activities in New Zealand.

Cooperatives

A cooperative is a registered legal entity which is owned and controlled by its members, who have equal voting rights. Transacting shareholders must hold at least 60% of the cooperative's voting rights.

Branches and representative offices

Non-resident companies are entitled to establish a branch or a representative office in New Zealand. A branch's activities are subject to New Zealand company law, although it is considered part of the company's head office and therefore not a separate legal entity. Branches require no minimum share capital. To open a branch a company must file a number of documents, including head office accounts. While branches are permitted to make sales, representative offices may not sell directly in New Zealand.

Opening and Operating Bank Accounts

Residency

To be considered resident, a company must be incorporated in New Zealand, or have its headquarters located in New Zealand.

Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (NZD) accounts outside New Zealand and foreign currency accounts both within and outside New Zealand.

Non-residents are permitted to hold local currency and foreign currency accounts in New Zealand.

All local currency accounts are fully convertible into foreign currency.

Anti-money laundering and counter-terrorist financing rules

- Account opening procedures require formal identification of the account holder.
- For occasional transactions, the financial institution has to verify the identity of a person conducting a cash transaction of NZD 10,000 or more, including multiple linked transactions aggregating to this value.
- Where an account holder performs a transaction on behalf of a non-account holder the non-account holder must be identified.
- Identification is not required when the customer is a financial institution acting on behalf of a person.
- Customers performing transactions on behalf of a third party do not need to be identified if the third party has previously been identified.
- Identification is not required for transactions performed on behalf of persons who are beneficiaries of a trust and who do not have a vested interest in the trust.
- Financial institutions in the broadest sense are required to record and report suspicious transactions to the NZP-FIU. For such transactions identification of the customer is also required.

Supplied by BCL Burton Copeland (www.bcl.com). Data as at July 2009.

Special purpose accounts required by local regulation

None.

Value-added tax (VAT) on banking services

Banking and financial services are exempt from Goods and Services Tax (GST), the equivalent to VAT.

Payment and Collection Instruments

Electronic funds transfers are the leading cashless payment method by value. They can be initiated using Internet banking and other electronic banking facilities. Non-urgent, direct credit transfers are increasingly the preferred payment method used to make payroll payments, though a number of enterprises use cheques to pay employees. Both non-urgent credit transfers and cheques are also common methods of payment for business-to-business transactions. Card payments are the most popular payment method by volume and are frequently used for consumer transactions; debit cards are more popular than credit cards. Pre-authorized direct debits are used primarily by utility and insurance companies to collect domestic payments, as well as for the collection of mortgage payments and superannuation contributions. Cheque usage has been declining in recent years.

Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2007/2006
	2006	2007	
MICR-encoded payments (cheques, paper-based credit transfers, bankers' drafts)	171.7	158.3	– 7.8
Electronic credit transfers	326.1	340.0	4.3
Direct debits	95.2	103.4	8.7
Card payments	1,497.2	1,673.9	11.8
EFTPOS debit and credit card transactions	*857.0*	*998.4*	*16.5*
Other credit card transactions	*431.5*	*470.1*	*8.9*
Other debit card transactions	*208.7*	*205.5*	*– 1.5*

Source: New Zealand Bankers' Association.

International Payments

International payments are processed through same-bank networks or by using traditional correspondent banking techniques. All large banks have direct SWIFT connections.

Payment Processing Times

Transactions processed (NZD-denominated)	Value dating rules	Cut-off time(s) in local New Zealand Standard Time (NZST)
High-value and urgent domestic transfers	Settlement in real time with immediate finality	15:45 NZST
Non-urgent, low-value domestic consumer payments	Payments are settled on a next-day basis, although cheques usually take three to four days to clear	Payments submitted through a bank branch (e.g., cheques), must be submitted by 16:30 NZST. For other instruments, including payments initiated via the Internet or electronic banking systems, the cut-off times vary between banks.

Central Bank Reporting

Statistics New Zealand collates balance of payments statistics from the responses to a number of quarterly and annual surveys.

Statistics New Zealand currently requests a sample of resident companies, with the largest amount of transactions with non-resident entities, to complete surveys on the nature of their transactions every quarter. Approximately 600 resident companies complete quarterly financial account surveys and approximately 1,200 resident companies complete quarterly current account surveys. The remaining resident companies in New Zealand that have transactions with non-resident entities complete financial account surveys annually.

Only those companies contacted by Statistics New Zealand are required to complete a survey.

Exchange Arrangements and Controls

New Zealand applies few exchange controls.

Foreign investment restrictions apply to:

- the purchase of at least a 25% stake in a domestic company where the transaction exceeds of NZD 100 million;
- the purchase or establishment of a company where the cost involved exceeds NZD 100 million;
- the purchase of at least a 25% stake in a domestic company involved in fishing and rural lands;
- the purchase of assets to be used in a domestic company involved in fishing and rural lands; and
- the registration of shipping vessels, with the exception of those registered through a New Zealand-based company.

Foreign investment in the Telecom Corporation of New Zealand is also restricted 49.9%.

Cash and Liquidity Management

New Zealand companies do not tend to manage cash on an international basis.

Physical Cash Concentration

Single-currency physical cash concentration is available from large domestic and international banks.

Cross-border physical cash concentration is not practised.

Notional Cash Pooling

Single-currency notional cash pooling is available from selected large domestic and international banks.

Resident and non-resident companies cannot participate in the same notional cash pooling structure. Cross-border notional cash pooling is not practised.

Short-term Investment

Bank instruments

Interest-bearing current accounts are generally available. Banks offer time deposits in NZD for terms from one week to over a year. Banks also issue fixed-rate certificates of deposit (CDs), usually for terms ranging from one to three months.

Non-bank instruments

Some domestic companies issue commercial paper. The maximum maturity of the paper is 12 months.

The Reserve Bank of New Zealand issues Treasury bills, as needed, on behalf of the New Zealand Debt Management Office. Treasury bills are issued for periods of three, six and 12 months. The Reserve Bank has also issued its own bills since 2008.

New Zealand companies have access to mutual funds.

Short-term Borrowing

Bank

Overdrafts, bank lines of credit and bank loans are usually all available in New Zealand to both resident and non-resident companies. Banks will usually charge a fixed rate of interest. Other commitment and arrangement fees will also be charged.

Non-bank

Large public and private entities issue commercial paper into the domestic market.

Factoring (generally domestic and disclosed) is available.

Larger companies use bank bills to raise short-term funds, usually for one, two or three months. Bank bills are offered by all registered banks in units of NZD 5,000.

Inter-company borrowing is uncommon in New Zealand; however there is a certain amount of intra-group borrowing.

Taxation

Corporate Taxation

- The standard rate of corporation tax is 30%.
- Non-resident companies are taxed only on their income sourced in New Zealand.
- Provisional tax is paid on account to the Inland Revenue during the current year, with three instalments in the fifth, ninth and 13th months of the tax year. Any terminal tax due is

payable between five and 13 months after the year-end depending on the company's balance date and whether the company uses a tax agent.

- Interest is earned or paid depending on whether the provisional tax payments are overpaid or underpaid at the provisional tax dates when the company's final tax liability for the year is known.
- Losses can be carried forward indefinitely so long as there is 49% ownership continuity. Losses are also available for offset with other group companies provided the companies share 66% common ownership.
- Losses cannot be carried back.
- Distributions made to shareholders can have imputation credits attached to enable shareholders to benefit from the corporation tax paid.
- Research and development (R&D) tax credits have been repealed effective the 2009–10 income year but remain available for qualifying R&D expenditure carried out in the 2008–09 income year (at a rate of 15%).

Advance Tax Ruling Availability

- Taxpayers are able to receive binding rulings from the Inland Revenue on certain matters. These binding rulings are paid for by taxpayers. The time required to obtain a binding ruling can vary depending on the complexity of the binding ruling subject; the Inland Revenue has productivity aims to deliver high complexity rulings within five months, medium complexity rulings within 12 weeks and low complexity rulings within six weeks.

Withholding Tax (subject to tax treaties and other exemptions)

Payments to	Interest	Dividends	Royalties	Other income
Resident companies	33%	33%	N/A	N/A
Non-resident companies	15%	15%*	15%	N/A

* Assuming fully imputed. The next phase of the international tax reforms are expected to include removing non-resident withholding tax from distributions of foreign-sourced income to non-resident shareholders of New Zealand companies.

Capital Gains Tax

- There is no specific capital gains tax regime. However, there are certain charging provisions that can tax what may intuitively be viewed as capital gains in certain instances, particularly in relation to land and buildings.

Stamp Duty

- Stamp duty was abolished in New Zealand in 1999.

Thin Capitalization

- Most foreign owned companies are subject to a maximum 75% debt-to-equity ratio or 110% of the group's worldwide ratio.
- Special rules apply to registered banks.
- Proposed changes to the international tax rules will extend the ambit of the thin capitalization regime rules by introducing interest allocation rules for outbound investment and the introduction of an active income exemption.
- The proposed changes will make it more difficult for companies to stay within the 75% debt-to-asset threshold, as the definition of asset will be narrower (i.e., excluding CFC investments) and the definition of debt will be widened (i.e., including fixed rate shares).

Transfer Pricing

- New Zealand has its own specific transfer pricing guidelines that generally mirror the Organisation for Economic Co-Operation and Development (OECD) Transfer Pricing Guidelines.

Sales Taxes / VAT

- A goods and services tax (GST, which is equivalent to VAT) applies to most goods and services supplied in New Zealand.
- Rates at which GST can be charged on supplies are zero or 12.5%. Certain supplies, including financial services, are exempt for GST purposes.
- Exports are zero-rated.
- Excise duties are levied on alcohol, petroleum and tobacco products.

Payroll and Social Security Taxes

- Accident insurance is levied on the employer and employee at set rates which vary for different industries.
- Employers are required to deduct pay as you earn (PAYE) tax from employee earnings at a rate determined by a tax code provided by the employee.
- Employer's superannuation contribution tax (ESCT) is required to be withheld on contributions made by employers to a superannuation fund on behalf of employees.
- The KiwiSaver regime is a voluntary superannuation savings regime that commenced on July 1, 2007.
- From April 1, 2008, employers have had to make compulsory contributions to employees' KiwiSaver accounts where employees have joined the scheme. Since April 1, 2009, the level of compulsory employer contributions has been capped at 2% (previously 4%). Provided that an employee contributes 2% of their gross salary, their employer must make a matching 2% contribution.
- All employer contributions to KiwiSaver will be exempt from ESCT up to 2% of employees' gross salary/wages (but are adjusted for previously exempted amounts).

Tax Treaties

- New Zealand has tax treaties in place with 35 countries.

Tax Issues with Notional Pooling

- The notional pooling of funds is not subject to any separate tax rules.

Tax Issues with Cash Concentration and Zero/Target/Threshold Balancing

- See above – similar to notional pooling.

Insurance Premium Tax

- There is no general insurance premium tax in New Zealand, although insurance premiums paid to foreign insurers can give rise to a tax liability for the insured (as agent for the foreign insurer).

State and Municipal Taxes

- There is no state or municipal tax on income.
- Local body rates are charged on local property ownership.
- Some municipalities charge for community services.

Other Taxes

- A fringe benefit tax (FBT) at a rate up to 61% applies to a range of employee benefits, such as the private use of company cars, loans, subsidized transport, medical insurance and travel.

All tax information supplied by Deloitte LLP (www.deloitte.com). Data as at April 1, 2009.

Report prepared September 2009.

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