

**Chandrawat
& Partners**

DOING BUSINESS IN NEW ZEALAND 2024



A COMPREHENSIVE GUIDE

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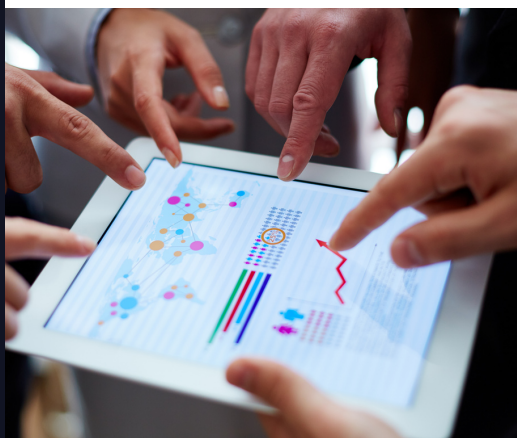
INTRODUCTION

Situated in the southwestern Pacific Ocean, New Zealand is an island nation made up of many smaller islands. Snow-capped mountains, lowland plains, active volcanoes, breathtaking caves, deep glacier lakes, lush valleys, and vast sandy beaches are all part of the country's incredibly varied topography.

New Zealand, a parliamentary democracy with a free-market economy, is governed with different laws. It acknowledges the queen of the United Kingdom as the head of state and the prime minister as the head of government as a Commonwealth member.

New Zealand, known for its open and transparent business culture, stable democratic system, and high standards of business honesty and integrity, provides an ideal business environment for foreign companies operating in the country. According to the World Bank, the nation has attained the highest ranking in the world for transparency and ease of doing business. New Zealand is a great place to expand your business and explore new markets because of its sophisticated and relatively affluent market. The government welcomes foreign companies and investors and provides aid to those who want to enter the market.

ECONOMIC OVERVIEW



Despite having a stronger base than other nations, New Zealand's economy saw a 0.8% GDP decline. On the other hand, economic activity was predicted to stay more than 5.9% above pre-COVID-19 levels through 2027, with the real GDP expected to be 6.8% higher at the end of 2022 than it was prior to the COVID-19 pandemic. There were social and economic advantages as well as pressure on wages and businesses due to the historically low 3.3% unemployment rate.

In contrast to many other countries, New Zealand's economy has shown resilience and a strong recovery. The fact to note is that at the end of 2022, real GDP exceeded pre-COVID-19 levels by a significant 6.8%, indicating a positive trajectory for continued economic growth. This resilience is reinforced by the optimistic forecast that economic activity will not only recover but also exceed pre-pandemic levels by more than 5.9% through 2027. This optimistic outlook is a testament to New Zealand's ability to effectively navigate challenges and highlights the country's strong economic foundation for sustained growth in the years to come.



The economy of New Zealand is expected to grow by 16.6% by 2027 (adjusted for inflation), which bodes well for the future. This optimistic view is influenced by a number of factors, such as an expanding pool of highly skilled labor, a deliberate move towards a digital and high-tech economy, continuous investments in industries that are changing, and the benefits that come with new trade agreements or upgrades for exporters. The June 2023 quarter saw a 0.9% increase in economic activity, indicating a positive upturn and laying the groundwork for a robust and prosperous economic future. New Zealand is in a favorable position for sustained growth and recovery, even with a modest GDP growth rate of 0.10% predicted by the end of 2023 thanks to its economic resilience and the supportive factors at play.

FOREIGN DIRECT INVESTMENT

The foreign direct investment (“FDI”) policy of New Zealand generally promotes foreign investment without regard to nationality. A screening process is used to facilitate the presence of certain restrictions in areas of critical interest, such as specific land types, important business assets, and fishing quotas. The government encourages foreign investment that is inclusive, productive, and sustainable because it boosts human capital, creates jobs, and advances the development and use of new technologies. The main instrument used to control foreign investment in New Zealand is the Overseas Investment Act of 2005, which aims to strike a balance between the need to encourage high-caliber investment and making sure the government has the necessary resources to control risks. The New Zealand government aims to exempt lower-risk transactions from consent requirements in 2023 and expanded its capacity to consider the country's interest when considering foreign investments. In recent years, there has been an increase in approved applications for foreign direct investment (“FDI”) in New Zealand, especially in sectors like energy, telecommunications, entertainment, real estate, and IT infrastructure. This indicates that the FDI regime in the country is changing.



KEY SECTORS

New Zealand's economy is dynamic and diverse, with several important sectors contributing significantly to the country's overall economic picture.



Agriculture: The foundation of the New Zealand economy is agriculture, with an emphasis on premium goods like dairy, meat, wool, and horticulture products. Dairy farming is particularly noteworthy for being a significant economic driver and for demonstrating the nation's proficiency with efficient and sustainable agricultural methods.

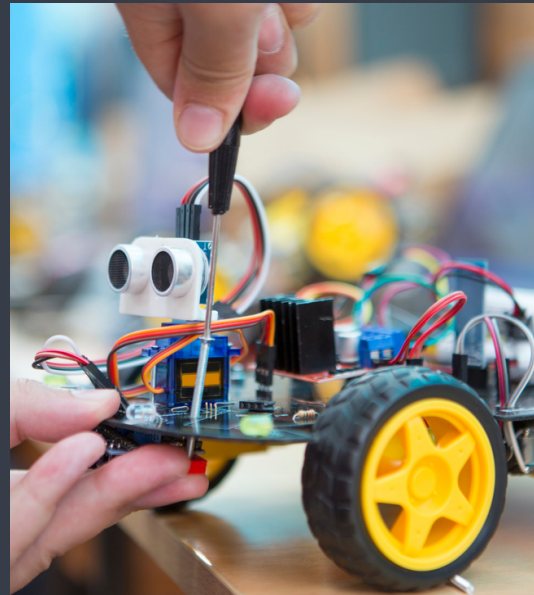


Tourism: New Zealand's tourism industry is vital, bringing in tourists from all over the world to enjoy its amazing scenery, go on outdoor adventures, and discover its unique biodiversity. Hiking, adventure sports, and cultural exploration are just a few of the activities that make New Zealand a popular tourist destination.



Forestry: The vast forests of New Zealand are essential to the country's economy, and sustainable forestry methods are highly valued. The forestry industry supports the nation's commitment to environmental responsibility by significantly boosting economic activity through the production and export of timber.

Technology and Innovation: Fostering technology and innovation is a central focus of New Zealand's economic development. The number of tech startups in the country has increased, which is indicative of a conscious move toward a digital economy. Software development, IT services, and innovation-driven businesses are among the growing industries that are establishing New Zealand as a centre for technological innovation.



Wine Production: New Zealand is well-known worldwide for its wine, particularly its highly regarded Sauvignon Blanc, and its wine industry has grown significantly. Its success is attributed to both local and foreign markets, showcasing the nation's prowess in winemaking and viticulture.



Manufacturing: The manufacturing sector, encompassing food processing, machinery, and equipment manufacturing, holds strategic importance in New Zealand. The country's ability to produce a diverse range of goods caters to both domestic consumption and international export markets, contributing to economic diversity.



ADVANTAGES OF DOING BUSINESS IN NEW ZEALAND

- **Stable Democratic System:** The democratic system in New Zealand is firmly established and provides a stable business environment. Investors are encouraged to feel confident because of the stable political environment, which offers security and consistency. One of the main elements that make New Zealand a desirable business destination is its political stability.
- **Transparent and Open Business Culture:** The business culture of New Zealand is open and honest, encouraging cooperation and trust. This culture fosters ethical behavior and facilitates business dealings, which benefits both domestic and foreign investors.
- **Ease of Business Setup:** New Zealand is one of the easiest places to start a business, with simple steps for incorporating a company and obtaining a visa. Because of its ease of use, which lowers administrative barriers, investors seeking to establish their business presence efficiently find it to be a desirable location.
- **Strong Government and Legal System:** A safe regulatory environment is offered by New Zealand, which is backed by a strong legal system and government. Clear and well-defined legal frameworks safeguard investors' interests and guarantee ethical business conduct, which promotes a steady and dependable business climate.
- **Simple Foreign Exchange Controls:** New Zealand keeps its foreign exchange regulations straightforward, which makes doing business internationally easier. This straightforward strategy promotes smooth financial transactions by making doing business easier for foreign investors.

TYPES OF BUSINESS IN NEW ZEALAND

The minimal requirements for registering a company in New Zealand differs based on the kind of business. The following are the minimal requirements for each kind of business.

Sole Trader: Through this business structure, the company is owned and run by a single person. The owner has complete authority over how the company is run and how decisions are made. The drawback is that all the company's liabilities, including debts and legal obligations, are directly borne by the owner. Because of its simplicity and direct control, this structure is often attractive to sole traders; however, they should carefully consider the implications of personal liability.



Partnership: Partnerships involve two or more individuals or entities collaborating to manage a business jointly. Each partner shares in the decision-making and responsibilities of the business. Importantly, each partner assumes personal liability for the debts and obligations of the partnership. Partnerships require a clear and well-drafted partnership agreement to outline each partner's roles, responsibilities, and profit-sharing arrangements.

Co-operative Company: Cooperative businesses are created with support or promotion goals in mind. They are set up to promote member cooperation and operate in compliance with New Zealand law. Usually, members cooperate with one another to share resources, risks, and rewards. Cooperatives prioritize democratic decision-making and fair benefit distribution, and they frequently align with sectors of the economy or groups with similar objectives.



Unlimited Company: In an unlimited company, shareholders bear the ultimate liability for the company's debts. This structure provides little protection for personal assets, as shareholders are obligated to cover any debts the company cannot pay. Unlimited companies are relatively rare due to the significant personal risk involved. This structure may be suitable for specific situations where individuals are willing to accept high levels of personal liability.



Overseas Company: International businesses can conduct business in New Zealand by opening a branch or a local subsidiary. Establishing a subsidiary entails forming an independent legal entity, whereas a branch functions as an adjunct of the foreign enterprise. International businesses operating in New Zealand are subject to its rules and tax laws. When deciding between a branch and a subsidiary, they need to take liability, autonomy, and tax implications into account.





MINIMUM ELIGIBILITY CRITERIA FOR COMPANY REGISTRATION

Sole Trader: For a sole trader, there is no set minimum for the number of directors or shareholders. The sole shareholder and director of the company is the owner. Since sole traders can function independently without the need for additional directors or shareholders, the absence of a minimum requirement streamlines the registration process for them.

Partnership: A partnership needs two partners to be in effect; one of them can be a natural person or another business. It is not necessary for the partners to be residents. The structure of a partnership promotes cooperation between two or more entities and a joint management approach to the business. The partners can be individuals or corporate entities.



Private Limited Company: In New Zealand, a private limited company must be incorporated with one shareholder and one director. Like an LLC, it must have a registered office address in New Zealand. Private limited companies and LLCs are similar in that they offer limited liability to shareholders. The necessity of having a local resident director highlights the significance of local representation in company governance. Moreover, there is no minimum capital requirement i.e., a company can be incorporated with even 1NZD.

Public Limited Company: In New Zealand, a public limited company must have at least one director and one shareholder to be registered. The company must have a registered office address in New Zealand and a resident director is required. Public limited companies follow the same rules as private limited companies, with the possibility of extensive shareholder participation. A link to local governance norms is ensured by the local director requirement.



HOW TO SET UP A BUSINESS IN NEW ZEALAND?

There are various formalities involved in establishing a business in New Zealand, such as financial, legal, and regulatory considerations. The process is laid down below-

Market Research and Planning: Starting a business in New Zealand requires you to take the first few steps in creating a business plan and carrying out in-depth market research. Understanding the complexities of the business environment, the dynamics of competition, and the subtleties of the target market are all made possible by market research. The foundation for making strategic decisions is this knowledge. Consequently, it becomes essential to create a well-organized business plan. This plan acts as a road map, outlining the objectives of the company, outlining the approaches to achieving those objectives, and offering financial projections to provide a clear course of action.

Legal Structure and Business Name: In the process of starting a business in New Zealand, choosing the right legal structure is essential. Entrepreneurs must choose between a sole proprietorship, partnership, or company structure after carefully considering their goals and business model. Every choice has unique financial and legal ramifications that affect things like taxation, liability, and decision-making power. The next step is to register the selected business name with the Companies Office and obtain a New Zealand Business Number ("NZBN") after the legal structure has been decided. This registration helps to ensure smooth business operations in addition to offering legal recognition. As a distinctive identity, the NZBN expedites dealings with government departments and raises the company's profile in the New Zealand marketplace. Entrepreneurs establish a strong basis for their ventures within the regulatory framework of New Zealand by ensuring that the legal structure is in line with the objectives and nature of the business and by completing the necessary registrations.

Visa Requirements: An essential first step for foreign business owners looking to open an office in New Zealand is navigating the immigration system. The process entails applying for the appropriate visa via Immigration New Zealand (“INZ”), where the entrepreneur work visa and the residence visa are the two main choices that address the requirements of international business owners. The entrepreneur work visa provides a route to residency in New Zealand for individuals who are actively involved in starting or buying a business. However, the residential visa offers more flexibility, enabling foreign investors to reside and work in the nation. These visa choices are designed to meet the various needs of international business owners while complying with immigration laws, guaranteeing a seamless integration into New Zealand's business environment. If foreign business owners can successfully navigate this process, it provides them with opportunities to contribute to New Zealand's thriving economic ecosystem.

Financial Setup: The next critical steps after establishing your company in New Zealand are compliance and financial management. Open a business bank account with a respectable, registered New Zealand bank to start this phase. This specific account keeps personal and business transactions apart and guarantees smooth financial operations. It's advisable to hire a local tax advisor and accountant at the same time. These experts provide invaluable knowledge in negotiating the complexities of New Zealand tax and financial laws. Their support is crucial for preserving financial compliance, handling tax obligations, and offering strategic financial advice that is adapted to the unique characteristics of the business environment in New Zealand. Businesses in the ever-changing New Zealand market can ensure sound financial practices, regulatory compliance, and overall success by establishing a local bank account and enlisting the assistance of financial experts.

Legal Compliance and Documentation: In New Zealand, starting and growing a successful business requires close attention to legal documentation and regulatory compliance. Start by determining which licenses and permits are required and securing them, making sure that they comply with industry-specific rules. Strict adherence to New Zealand's employment laws is essential for fostering a fair and legally sound work environment, should hiring employees be a part of your business plan. Preparing thorough documentation, such as contracts, agreements, and terms of service, governing interactions with customers, suppliers, and employees, is necessary to strengthen the legal foundation.

TAXATION IN NEW ZEALAND

In 2024, New Zealand's taxation policy is managed by the Inland Revenue Department ("IRD"), employing a self-assessment system. Renowned for its simplicity, the country's tax structure extends to personal and business income, along with levies on the supply of goods and services. The Inland Revenue Department plays a pivotal role in overseeing compliance and ensuring the smooth functioning of the tax system. This approach underscores New Zealand's commitment to maintaining an uncomplicated and transparent taxation framework, fostering an environment conducive to both individual and business taxpayers. The self-assessment system further enhances efficiency and accountability, reflecting the nation's dedication to a streamlined and accessible tax regime.

Personal Income Tax Rates: New Zealand has a flat personal income tax rate of 28% that applies to both corporations and individuals, with rates closely linked to an individual's income. Taxpayers' compliance process is made simpler by this uniform and streamlined approach to taxation, which promotes predictability and clarity in the marketplace. With a uniform percentage applied to all income brackets, the flat rate mechanism helps both individuals and corporate entities navigate their tax obligations in a fair and understandable manner. The 28% flat rate strikes a balance between simplicity and fairness for taxpayers, supporting both an easy-to-understand tax structure and the nation's commitment to preserving an efficient and equitable tax system.



ACCOUNTING STANDARDS

Through its operational arm, the New Zealand Accounting Standards Board ("NZASB"), the External Reporting Board ("XRB") is vital to the regulation and oversight of accounting standards in New Zealand. The Financial Reporting Act of 2013 has given the XRB the authority to function as an independent Crown Entity, and it has highlighted its dedication to strong and transparent financial reporting procedures. The NZASB carries out the practical facets of creating and sustaining accounting standards while functioning under the XRB. This organizational structure supports New Zealand's commitment to harmonizing its financial reporting with international best practices by guaranteeing a unified and efficient approach to standard-setting.

XRB's Authority and Establishment: - The Financial Reporting Act of 2013 grants the External Reporting Board ("XRB") the authority to function as an independent Crown Entity in New Zealand. The government's dedication to promoting uniform and transparent financial reporting procedures is demonstrated by this legislative foundation. The XRB, which was created to oversee accounting standards, is essential to preserving the accuracy of financial reporting in several industries. Because of its independence, the nation's financial information is more dependable and trustworthy since it emphasizes accountability and adherence to standards.

Adherence to International Standards: For-profit businesses in New Zealand follow accounting guidelines based on the International Financial Reporting Standards ("IFRSs"). These standards, sometimes known as "New Zealand equivalents to IFRSs", are a prime example of how committed the country is to bringing its financial reporting procedures into line with international best practices. This alignment facilitates a smooth integration with international accounting standards by guaranteeing that New Zealand's for-profit entities maintain consistency and comparability in their financial reporting. The use of "equivalents" demonstrates the nation's commitment to respecting the guidelines and standards established by the IFRSs while modifying them to fit the unique circumstances of the New Zealand business environment.

EMPLOYMENT AND LABOUR LAWS



New Zealand's extensive labor and employment laws are based on statutes passed by the Parliament of the nation, which are supplemented by common law ideas that are drawn from court rulings, tribunal decisions, and case law. The Employment Relations Act 2000 ("ER" Act), which is a cornerstone statute outlining the essential rules governing employment relationships, is at the center of this legal framework. This legislation helps to create a clear and fair employment environment in New Zealand by outlining the rights, obligations, and protections for both employers and employees in conjunction with common law components.

Minimum Rights of Employees: All workers in New Zealand, regardless of their type of employment, are guaranteed the right to obtain a written copy of their individual or collective employment agreement under a fundamental employment right. This clause goes beyond openness; it is an essential legal protection that gives workers minimum rights. The written contract is essential for maintaining workplace safety and stopping illegal activities like harassment, bullying, and discrimination. It also specifies the terms and conditions of employment. New Zealand's commitment to promoting equitable and courteous workplaces is exemplified by this effort to provide a precise and documented understanding of the employment relationship.

Minimum Wage: Workers in New Zealand who are 16 years of age or older are entitled to a minimum gross wage under a statute. This applies to them whether they are paid on a weekly, hourly, or daily basis. This legal clause is essential to guarantee fair compensation for labor. Through the establishment of a minimum wage standard, regardless of the method of payment, the legislation seeks to create an equitable starting point that encourages fair compensation for workers in this age bracket. This pledge demonstrates New Zealand's commitment to maintaining standards that place a premium on just and reasonable wages for workers, thereby promoting a more equitable and well-rounded employment environment.

Employment Agreements: Workers in New Zealand who are 16 years of age or older are entitled to a minimum gross wage under a statute. This applies to them whether they are paid on a weekly, hourly, or daily basis. This legal clause is essential to guarantee fair compensation for labor. Through the establishment of a minimum wage standard, regardless of the method of payment, the legislation seeks to create an equitable starting point that encourages fair compensation for workers in this age bracket. This pledge demonstrates New Zealand's commitment to maintaining standards that place a premium on just and reasonable wages for workers, thereby promoting a more equitable and well-rounded employment environment.

Freedom of Association: Strong employment laws in New Zealand place a high value on workers' freedom to form unions and participate in collective bargaining, demonstrating the country's dedication to empowering its workforce. With this freedom, workers can speak out for their rights and interests as a group and have a collective voice when negotiating with employers. New Zealand guarantees that workers have the power to actively shape their working conditions, wages, and overall employment terms by promoting union participation and collective bargaining. This dedication to collective representation fosters a positive working relationship between employers and employees by empowering workers and fostering a collaborative, fair industrial relations framework.

Health and Safety: Employers in New Zealand bear the responsibility of upholding health and safety regulations and maintaining a safe workplace. The promotion of employees' general well-being is contingent upon the prioritization of workplace safety. It is required of employers to establish and maintain a workplace that reduces risks, avoids mishaps, and protects employees' physical and emotional well-being. Adherence to health and safety protocols not only protects workers from possible risks but also fosters a culture of accountability and concern in the workplace. This pledge demonstrates New Zealand's commitment to putting employee welfare and safety first and fostering a safe and supportive work environment for all.

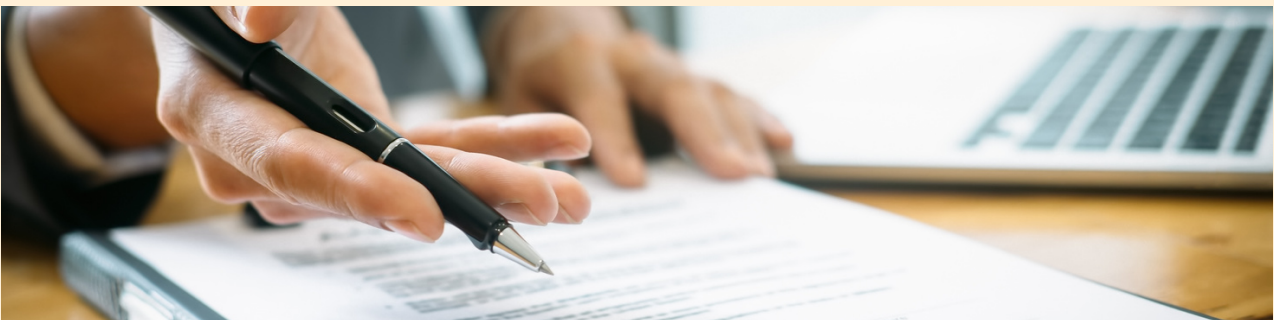


EMPLOYMENT POLICIES

The policy landscape in New Zealand is characterized by a range of proposals and changes that reflect the changing priorities in the field of labor relations. Important points include a range of viewpoints and ideas from different political parties:

National and ACT's Policies: Notably, in New Zealand, the National Party and ACT have put forth a range of employment and workplace policies that explicitly aim to modify certain aspects of the legal system. The intention to limit employee remedies is at the heart of their proposals, indicating a possible change in the rights and responsibilities that employers and employees share. Furthermore, the parties support expediting Employment Relations Authority (“ERA”) rulings by highlighting a shortened one-month period for resolving labor disputes. These policy recommendations show a focused approach to efficiency and possible changes to the dispute resolution procedure, suggesting a larger agenda to rebalance the dynamics in the labor market.

Minimum Wage Proposals: In New Zealand, debates over minimum wages have become central to policy discourse, with some political parties calling for a significant hike to \$25 per hour. This proposal demonstrates a persistent dedication to guaranteeing equitable remuneration for laborers and attending to relevant economic factors. The focus on raising the minimum wage again is consistent with larger attempts to find a middle ground between advocating fair compensation for workers and taking the economy into account. These conversations show a nuanced approach to labor policy, aiming to consider the larger economic environment and proactively address the changing needs of the workforce.



Updates in Employment Law: Several modifications have been made to employment law recently, one of which is the expansion of 90-day trials to include all businesses in New Zealand. Furthermore, the passing of the short-lived Fair Pay Agreements and the introduction of legislation pertaining to modern slavery highlight how dynamic regulatory frameworks are.

HOW WE CAN HELP?



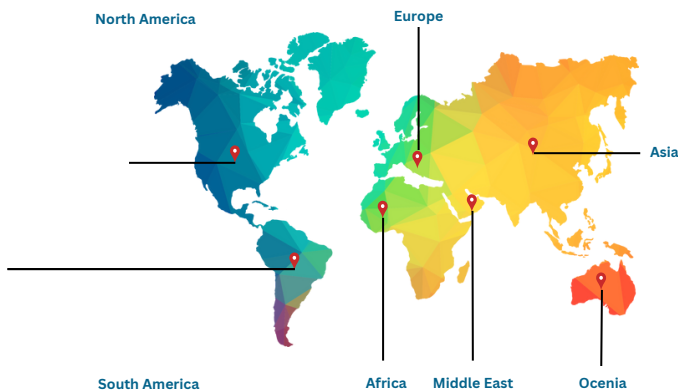
Our team of professionals can assist clients in developing a comprehensive business plan that outlines their goals, target market, products or services, financial projections, and marketing strategies which can help them articulate their vision and make informed decisions about their company setup.

Our experts can conduct market research to help clients understand their industry, competition and potential customers and can provide insights into market trends, customer preferences and competitive advantages to support their business strategy.

Our team can guide clients in choosing the appropriate legal structure for their company, such as sole proprietorship, partnership, limited liability company or corporation and can explain the benefits and drawbacks of each option based on their specific needs and circumstances.

Our professionals can assist in facilitating connections between clients and potential business partners, suppliers or industry experts and assist them in expanding their network and explore collaborative opportunities.

SERVING CLIENTS WORLDWIDE



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