We make every effort to ensure the accuracy of the information provided but it should not be relied upon as a basis for making business decisions as circumstances, business conditions, government policy and interpretation of the law may change.
Chapman Tripp is New Zealand’s leading law firm. Established in 1876, we have a reputation for excellence and a long track record of delivering innovative, commercial solutions which respond to the individual needs of our clients.

We understand what it takes to capitalise successfully on your investment opportunities and, because we have a national, full-service team, we advise on all aspects of doing business in New Zealand.

Our advice is clear and commercial. We help you mitigate risk and maximise your investment throughout the phases of your business venture – from evaluating potential investment opportunities and acting on acquisitions through to advising on the most efficient way to structure your business, the day-to-day operational issues you need to be aware of and, should it eventuate, how to achieve a successful exit strategy.

We also help you to make sense of an unfamiliar regulatory and cultural environment. We represent your business interests to relevant regulatory bodies, including the Overseas Investment Office, guide you through the resource management consent process and recommend the best approach for dealing with Māori law.

Chapman Tripp works with an international client base which has involved some of the most high profile Overseas Investment Office applications in recent times. We play a key role in mergers and acquisitions, banking, financing, insolvency, restructuring, procurement processes, large scale infrastructure projects and dispute resolution.

We have more than 50 partners and around 200 legal staff with offices in Auckland (the economic centre of New Zealand and home to more than a third of the population), Wellington (the seat of government) and Christchurch (the South Island’s commercial hub).

This guide is designed to provide the prospective investor with an introduction to New Zealand’s legal framework. The information is accurate at the time of publication but is necessarily high level and generic so should not be relied upon as a basis for decision-making.

We recommend you speak to us about your investment requirements before making any decisions so that we can provide you with advice that is specific to your needs.

You can read more about Chapman Tripp at www.chapmantripp.com

• New Zealand National Law Firm of the Year
  IFLR Asia Awards 2016
• New Zealand Law Firm of the Year
  2015 Chambers Asia Pacific Awards for Excellence
New Zealand

Geography

New Zealand is situated in the South Pacific Ocean, with a land area equivalent to Japan or Britain. We have one of the largest exclusive economic zones in the world at 4.1 million square kilometres.

New Zealand consists of two main islands – the North Island and the South Island. It has a temperate climate and offers a high quality of life with clean air and easy access to nature.

Population

The resident population is just over 4.5 million people, one third of which lives in Auckland.

New Zealand is a nation of migrants, with one of the most ethnically diverse populations in the world and a large “ex-pat” community which provides important international linkages.

Culture

New Zealand culture values fairness, ingenuity, practicality, modesty, restraint and informality. English is the everyday language but Māori and sign language are also recognised as official languages.

We aspire to be a multi-cultural society but accord a special significance to Māori culture, reflecting Māori’s status as the indigenous people of this land.

Political and legal system

New Zealand is consistently rated in the top four for freedom from corruption by Transparency International. We have a common legal system based on the British model with an independent judiciary.

New Zealand has a stable parliamentary democracy with a proportional voting system which tends to produce coalition governments. The two major parties, which would generally lead a coalition government, are National at the conservative end of the spectrum and Labour at the liberal end. The British sovereign is the titular Head of State and is represented in New Zealand by a Governor-General.

Economy

New Zealand is a safe place to invest and do business. It is currently ranked first of 189 countries by the World Bank for ease of starting a new business and for protecting minority investors, and second for ease of doing business.

Major exports include dairy products, tourism, meat, timber and minerals. We also have developing industries in export education, boat building, IT, horticulture, wine and film.

Our stock exchange is the first in the world to open trading each day – two hours ahead of Sydney, three hours ahead of Tokyo, four hours ahead of Beijing, 12 hours ahead of London and 17 hours ahead of New York.

The currency is based on the New Zealand dollar, which is freely floated against all major currencies.
Free trade agreements

New Zealand supports trade liberalisation and is party to a large number of free trade agreements, including with Australia, China, Hong Kong, Chinese Taipei, South Korea, ASEAN, Singapore, Thailand, Malaysia, Brunei and Chile. We are also signatories to the Trans-Pacific Partnership.

Information on New Zealand’s international trading agreements can be found on the Ministry of Foreign Affairs and Trade website: www.mfat.govt.nz

Want to know more?

Go to:

www.newzealand.com or
www.newzealandnow.govt.nz/investing-in-nz or
When is consent required?
Overseas Investment Office (OIO) consent may be required if the target business possesses any of the following:
- significant business assets – where the cost of a business acquisition, or the value of the applicable New Zealand assets, exceeds NZ$100 million (a higher limit applies for Australian non-government investors)
- an interest in sensitive land, or
- fishing quota.

**Key points**
- New Zealand welcomes foreign investment and recognises the positive economic and social contribution it brings to New Zealanders.
- New Zealand consistently ranks highly as an attractive investment destination, with various studies identifying the ease of business, low level of corruption, high quality of regulations, adherence to the rule of law, significant investor protection and protection of personal freedoms accorded to investors in New Zealand.
- Not all overseas investments into New Zealand require consent. However, like most other countries, New Zealand does require overseas persons to obtain consent for certain types of investments.

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**Alert...**
The definition of sensitive land is very detailed and requires careful checking and analysis from qualified advisers. In particular, land may be “sensitive” if it adjoins certain types of land, or is “associated” with other land already controlled by an overseas person.
Additional conditions or criteria for consent approval

**Sensitive land**
To obtain consent, the overseas investor will need to demonstrate that the purchase will bring benefits additional to those which would accrue from continued New Zealand ownership. These benefits are assessed against a variety of economic, social and conservation factors. For non-urban land larger than 5 hectares, the overseas investor will need to show that those benefits are “substantial and identifiable”.

**Special land**
Special land includes the foreshore, seabed, riverbed or lakebed that adjoins sensitive land.
Special land transfers are subject to stricter conditions and the sensitive land must first be offered to the New Zealand government before any sale to an overseas person.

**Farm land**
Farm land must be offered on the open market before a sale to an overseas person can be completed.
Exemptions from this requirement can be obtained, but only in special circumstances and at the discretion of the relevant Minister.

**Strategically important infrastructure**
Transactions involving strategically important infrastructure on sensitive land face higher levels of scrutiny, with continued New Zealand control being a relevant factor.

**OFF-SHORE TRANSACTIONS**
Transactions occurring outside New Zealand may still require OIO consent if the target business has interests in land or other assets in New Zealand. OIO implications for off-shore transactions should be assessed early in the transaction process to ensure that OIO timeframes do not cause unnecessary delays.

**CONSENT APPLICATION PROCESS**
The consent application process is administered by the OIO and governed by the Overseas Investment Act 2005 (the Act) and accompanying regulations.
The overall consent decision rests with the relevant Ministers. The OIO assesses the consent applications, and makes recommendations to the Ministers. For certain applications the OIO itself makes consent decisions under delegated authority from the Ministers.
We recommend that potential investors engage New Zealand legal counsel early in the investment process to assess whether consent is needed and to ensure that there are no unnecessary delays.

**CONSENT CONDITIONS**
Consent is usually granted subject to various conditions with which the applicant must comply. Often the conditions will reflect the nature of the benefits claimed to support the transaction in the consent application.

**CLASS EXEMPTIONS**
The requirements for consent do not apply to certain situations covered by class exemptions including:
- transfers within 95% wholly owned groups
- acquisition of redeemable preference shares
- security arrangements in the ordinary course of business that secure payment or performance of an obligation, and
- underwriting of an issue of securities in the ordinary course of business, provided that the position is held for less than six months and voting rights are not exercised.

**ALERT...**
Complex applications can take longer than the OIO targets. We can advise you of likely application processing times when preparing specific applications.
Establishing a business in New Zealand

Key points

- Overseas persons can own assets and operate businesses in New Zealand.
- It is relatively easy and free of restrictions to set up a company in New Zealand.
- Overseas entities will need to obtain a New Zealand tax number and, depending on the volume of business, may be required to register for the Goods and Services Tax.
- Overseas companies and limited partnerships which intend to carry on business directly in New Zealand need to register with the New Zealand Companies Office.

Establishing a New Zealand subsidiary company

A New Zealand company is a separate legal entity responsible for its own assets and liabilities. There is no restriction on the size of a company’s share capital. There are no residency restrictions on shareholders.

KEY POINTS TO NOTE

- Every New Zealand company requires at least one New Zealand resident director or one Australian resident director who is also a director of an Australian company. As long as this requirement is fulfilled, a New Zealand company may have any number of overseas directors.
- There is no requirement for a company to have a company secretary.
- The Companies Office may require a certified proof of identity (e.g. passport) and a certified proof of residential address (e.g. utilities bill) for overseas directors when registering a company.
- Every New Zealand company requires a New Zealand registered office address/address for service.

We can assist and put you in touch with providers of professional director and registered office services in New Zealand.

Establishing a limited partnership

The rules governing limited partnerships in New Zealand are similar to those applying in other jurisdictions, including Delaware, Australia and the Channel Islands. The distinctive feature of the limited partnership model is that it is a separate legal entity but provides the protections of limited liability to its members.

A limited partnership must have at least one general partner and one limited partner, who cannot be the same person. A general partner may be an overseas company registered in New Zealand with at least one director who lives in New Zealand or who lives in Australia and is a director of an Australian company. A general partner is jointly and severally liable with the limited partnership and any other general partners for the unpaid debts and liabilities of the limited partnership.
A limited partner has the protection of limited liability, but must not take any part in the management of the limited partnership. A limited partner can be an overseas person.

Branch, subsidiary or limited partnership?
There are advantages to each of the three options, depending on the circumstances.

<table>
<thead>
<tr>
<th>Branch</th>
<th>Subsidiary</th>
<th>Limited partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liability</strong></td>
<td>Because the branch is legally the overseas company, there is no sheltering of liability</td>
<td>A special purpose subsidiary may help ring-fence liability. But in practice, unless the subsidiary is substantial in its own right, any significant commercial dealings may need to be guaranteed by the overseas parent</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>The branch will generally be considered to be non-resident for tax purposes, with the effect that the overseas company will have to pay any tax obligations incurred in New Zealand but may also be able to include the branch activities in the tax return filed in the home jurisdiction of the head office</td>
<td>The subsidiary is a New Zealand tax resident and will be subject to New Zealand tax on the subsidiary’s worldwide income. Losses cannot be offset against any income of the overseas parent and cannot usually be claimed in the parent’s home jurisdiction</td>
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Entering a joint venture/general partnership
Joint ventures in New Zealand are arrangements entered into by two or more parties to invest in a particular project. They can be carried out by a company, a limited partnership or an unincorporated contractual joint venture.

A general partnership is not a separate legal person and each partner is jointly and severally liable for the debts of the partnership. Responsibilities and liabilities can be allocated according to a partnership deed, but partners do not enjoy the protection of limited liability. For this reason, some investors prefer to pursue joint ventures through a special purpose vehicle company or limited partnership.

An investment in a joint venture may be subject to the Overseas Investment Act (see the Investing in New Zealand section for more detail).
Key points

- All titles in New Zealand are registered at Land Information New Zealand with “freehold” title being the most common. Particular care needs to be taken when dealing with “leasehold” or “unit title” properties.

- When purchasing property in New Zealand it is usual to sign a sale and purchase agreement that is conditional upon the purchaser carrying out a due diligence investigation and being satisfied with the results of that investigation.

- Overseas investors will need to obtain government consent under the Overseas Investment Act for the acquisition of certain types of property (farm land and other “sensitive” properties). See the Investing in New Zealand section for more detail.

Registered title system

New Zealand uses the Torrens land registration system under which most parcels of land have their own titles showing dimensions and location, ownership and other interests affecting the land. The government guarantees the accuracy of titles, which can be searched by the public for a nominal fee.

Chapman Tripp provides a full title searching service.

The primary attraction of the Torrens system is that dealings can be conducted in reliance on a single title, rather than on a succession of title deeds. New Zealand has converted almost all titles, plans and instruments into an electronic format, allowing real-time searching and electronic registration of all land title and surveying transactions.

Under New Zealand law, buildings and other improvements permanently attached to the land form part of the land itself and pass with ownership of the land, unless the seller and buyer agree otherwise.

Dealings with land are registered electronically against the title.

Forms of title

In New Zealand there are three main forms of title.

FREEHOLD
This is the most common (and best) form of title available in New Zealand.

LEASEHOLD
The purchaser of a leasehold property acquires the benefit of a lease of the property (as opposed to the freehold). Leasehold title is particularly prevalent within the Auckland waterfront area. The term and rental structure of these leases can vary significantly. Particular care needs to be taken when acquiring leasehold property, especially when the lease reserves an annual rent that is subject to review under the terms of the lease.

UNIT TITLE
Unit titles are similar to other forms of title save that they are limited to a defined part of a building or property. They are the most common form of title for apartment buildings (with each individual apartment comprising a single unit title). Most unit titles are freehold but it is not uncommon to find leasehold unit titles within the Auckland waterfront area. A purchaser of a unit title property automatically becomes a member...
of the “body corporate”. The body corporate effectively governs the building under the terms of the Unit Titles Act 2010 with a particular focus on the management and maintenance of common property (such as lobbies and lifts) and the structural elements of the building as well as common building services. Before entering into an agreement to purchase a unit title property, the vendor is obliged to provide the purchaser with a pre-contract disclosure statement which contains information on the unit title being purchased (including the amount of the “levies” payable to the body corporate to cover the cost of the insurance of the building as well as its management and maintenance).

Sale and purchase agreements can be made subject to conditions which are designed to protect either the seller or the buyer. Common conditions are the buyer raising finance and the buyer being satisfied with the results of its due diligence investigation (see below).

You should always obtain legal advice before entering into a sale and purchase agreement. However, particular care needs to be taken before entering into an agreement to purchase:

- a commercial property (which depending on the size and value of the property may be subject to fairly significant legal negotiation), or
- a residential property that is to be developed by the vendor (commonly referred to as buying property “off the plans”).

Where a real estate agent is engaged by a seller to effect a sale, commission is payable by the seller. There is no stamp duty.

Contracts for sale and purchase of land

To be enforceable under New Zealand law, a contract for the sale and purchase of land must be in writing and signed by the parties involved or their authorised agents. Once signed, an agreement for sale and purchase becomes legally binding on all parties.
Due diligence

Due diligence is a fundamental component of the process of acquiring property in New Zealand. Depending on the nature of the property being acquired, due diligence commonly entails engaging a lawyer to review:

- the title to the property and (in the case of commercial property) the terms of any leases
- council records for the property in the form of a “LIM” report to identify the following types of issues:
  - any enforcement action being taken by the council for non-compliance with statutory or regulatory requirements
  - the existence of any outstanding code compliance certificates in respect of any building work undertaken at the property (see section below on building works)
  - the existence of a building warrant of fitness which is required for most buildings other than stand-alone houses (see section below on building works)
- any relevant records held by the council regarding the property (for example the existence of any contamination or geotechnical issues or whether the building has been identified as “earthquake prone”)
- the existence of any rates arrears.

In addition, you will need:

- a registered valuer to undertake a valuation of the property, and
- a building inspector/engineer to review the condition of the building and identify any defects or maintenance issues (see also the comments below about the “seismic rating” of commercial buildings).

Seismic rating of commercial buildings

As a result of the Christchurch earthquakes of 2010 and 2011, it is becoming increasingly common for purchasers of commercial buildings to investigate the seismic rating of those buildings as part of their due diligence investigation.

All new buildings in New Zealand are required to be constructed to 100% of the current building code (often referred to as “New Building Standards” or “NBS”). However, older buildings are unlikely to have been constructed to 100% of NBS, either because of the lower building standards applying at the time the building was constructed or because of poor design or workmanship.

Typically, most investors in commercial property in New Zealand look for a seismic rating of at least 67% of NBS. A rating of less than 67% can have an impact on the value of the property and also the ability to attract or retain tenants. Most major corporates in New Zealand will refuse to lease property in New Zealand if it has a seismic rating of less than 67%.

There are two main types of report issued by engineers to assess the seismic rating of a building:

- an “IEP” (or “Initial Evaluation Process”), a very high level desktop study that is not always accurate and should be treated with caution, and
- a “DEE” (or “Detailed Engineering Evaluation”) which is usually more accurate but will generally cost more than an IEP. However, care still needs to be taken to review the report to identify any limitations on the scope of the investigations undertaken by the engineer.

If the engineer’s report was obtained by the vendor, the purchaser should consider requiring either the engineer to confirm in writing that the purchaser may rely on the report or that the report be re-addressed to the purchaser.

ALERT...

An older building with a seismic rating of less than 34% of NBS is classified as “earthquake prone” and will be subject to statutory requirements for seismic strengthening works. Particular care needs to be taken with heritage buildings and buildings constructed before 1976 which are more likely to be earthquake prone.
Residential property – tax considerations

Gains from the sale of residential properties purchased after 1 October 2015 and held for less than two years will be taxed at the owner’s income tax rate. Exemptions will apply if the property is:

- the seller’s main home
- inherited from a deceased estate
- sold as part of a relationship break down.

Gain from sale of a property held for longer than two years may still be taxed if the Inland Revenue Department (IRD) considers that the seller acquired the property for a purpose or intention of resale, or if one or more of the specific land taxation provisions applies (for example, if the seller carried on, or was associated with someone who carried on, a business of land dealing, land development or building at the time of acquiring the property and sells that property within ten years).

The Residential Land Withholding Tax (RLWT) applies where the seller is an offshore person and the residential land is sold within two years of acquisition. The RLWT also applies to sales by New Zealand entities that are ultimately more than 25% owned or controlled by offshore persons. (For more detail, refer to the section on New Zealand’s cross-border tax regime.)

Additionally, residents and non-residents will be required to provide an IRD number as part of the usual Land Information New Zealand transfer process (unless the property is their main home). A non-resident will also be required to have a New Zealand bank account and to provide a home jurisdiction tax number together with another form of identification – such as a passport.

Resource Management Act and district plans

The Resource Management Act 1991 (RMA) is New Zealand’s principal statute relating to the use of land, water, minerals, the coast, air and physical resources. The RMA has major implications for industrial projects and property developments. A new development may require a number of consents under the RMA before it can go ahead.

Controls on development are administered by locally elected government authorities and are expressed through a range of publicly notified plans. These include regional plans, regional coastal plans and district plans. Plans set out rules for activities in various locations or “zones”. Parties seeking consent to proceed with a development must follow the procedures set out in the relevant plan. This may involve public participation through the public notification of the consent application.

Privately owned land may be designated in the district plan as being required by the government for a public work (compulsorily if necessary). The current market value of the land would be paid as compensation.

For more detail on the RMA, refer to the Environment and resource management law section.
Building works

The Building Act 2004 is designed to regulate and control building work and the use of buildings. Every new building and most substantial alterations or additions to existing buildings will require a building consent. Multiple-use approvals are available for group home builders who build homes throughout New Zealand using the same or similar plans.

Following completion of any work pursuant to a building consent, a code compliance certificate (or “CCC”) should be obtained. When purchasing a building in New Zealand, a key item that should be checked during the due diligence investigation is whether there are any outstanding code compliance certificates for building work carried out at the property. This can be verified by engaging a lawyer to review an up to date “LIM” report for the property.

Most types of property (other than stand-alone houses) are also required to hold a building warrant of fitness (or “BWOF”) that is issued annually confirming that certain building systems and services (mostly those systems related to life safety such as sprinklers, lifts and fire alarms) comply with certain Building Act criteria. The existence of a BWOF should be checked during the due diligence investigation by reviewing an up to date “LIM” report for the property.

Allied to the Building Act is the Building Code. This sets criteria to ensure buildings are safe, sanitary, have adequate means of escape and, in the case of public buildings, have access and facilities for disabled persons. Existing buildings, which are being altered, may require upgrading in the course of the alterations in order to comply with these criteria as nearly as is reasonably practicable. Buildings considered earthquake prone may also be required to be upgraded.

The Act imposes restrictions upon occupation of a building where public areas of that building are subject to building works for which a code compliance certificate has not yet been issued.

Māori land claims

Land claims by Māori, the indigenous people of New Zealand, are governed by the Treaty of Waitangi Act 1975. Under the Act, grievances are heard by the Waitangi Tribunal which can then make recommendations to the government regarding the resolution of those grievances.

Recommendations for the return of land to Māori are generally applicable only in respect to land owned by the government or State-Owned Enterprises. Privately owned land is not subject to return to Māori ownership unless the title to the land has been specifically endorsed to that effect (and, even then, current policy is not to exercise that right). If it was exercised, the current market value would be paid.

For more information on Māori rights under the Treaty, refer to our New Zealand Māori and the Treaty of Waitangi section.
Key points

- The Resource Management Act 1991 is the primary instrument of environmental regulation in New Zealand.
- The Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act extends a variant of the RMA into the sea and seabed 12 to 200 nautical miles offshore from New Zealand.
- New Zealand’s climate change response is delivered through an Emissions Trading Scheme.

The Resource Management Act

The Resource Management Act 1991 (RMA) regulates all uses of land, water and air, out to the edge of the 12 nautical mile coastal limit. It is largely administered by local government through resource consents granted, or withheld, under statutory and publicly notified district and regional plans.

District plans control the use of land. Regional plans control the use of water, coastal matters and the discharge of contaminants. These plans classify activities as:

- permitted (not requiring resource consent)
- controlled, discretionary or non-complying (a resource consent is required and, where granted, will often be subject to specific conditions designed to mitigate any adverse environmental effects), or
- prohibited (will not be consented).

Applications for resource consent are generally made to the relevant local authority. Depending on the type of activity, the application may be heard without public notification, on a publicly notified basis or with limited notification to affected parties only.

Applicants must provide a comprehensive assessment of the environmental impact of the proposal or use. Rights of appeal can be exercised by the applicant, or by anyone who has made a submission on the application, to the Environment Court. (In some cases, such as for nationally significant projects, special processes apply).

The RMA has a range of penalty and enforcement provisions. Directors and senior managers can be found personally liable for any acts or omissions by the company.

Central government can also provide national direction through National Policy Statements and National Environmental Standards.
When the RMA was first passed in 1991, it placed a very high value on local decision-making and public consultation. It still reflects those founding values but it has been much amended over its history and most of those amendments have been designed to streamline RMA processes and to permit more central government intervention with a view to speeding development.

Under the RMA, polluters who contaminate land can be liable, but owners or occupiers of contaminated land can also face enforcement action for that contamination (even if it is historic contamination caused by a previous polluter).

The Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act

The Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) extends a variant of the RMA to the EEZ and applies to seismic surveying and cable laying, seabed mining and the construction and installation of oil and gas rigs. It also anticipates possible future uses, including deep sea aquaculture, carbon capture and storage, and marine energy generation.

The permitting authority is the Environmental Protection Authority (EPA), which must issue a decision on publicly notified applications within six months of receiving the application, or within 60 days of receiving a non-notified application.

The EEZ Act identifies various factors which should drive the EPA’s decision-making. Several of these reflect environmental or biodiversity values but they also include the economic benefit to New Zealand and the efficient use and development of New Zealand’s mineral resource.

Appeal rights are to the High Court and are limited to points of law. The maximum penalty for breach of a marine consent is $10 million.

Permitted activities for oil and gas and seabed mining are marine scientific research, exploration and prospecting (provided those activities meet the permitted activity conditions). Other mining-related activities will require consent.

Minerals regime

Access to and rights to prospect, explore and mine New Zealand’s extensive petroleum and mineral estate are governed by the Crown Minerals Act 1991 and by the Minerals Programme and the Minerals Programme for Petroleum issued under it.

All petroleum, gold, silver and uranium existing in land (including under the sea) is the property of the Crown (government). No person may prospect, explore for, or mine, government-owned minerals without an appropriate permit. By and large, a permit will be awarded to the person most likely to prospect, explore or develop the resource effectively and in accordance with the permit obligations and good practice.

Return to the government is assured through a royalty regime, although there is provision in the Act for the government also to participate in any given permit and thus derive a fair financial return through that avenue. The current policy is, however, not to exercise this right.

All transfers of, or other dealings with, a permit interest require the consent of New Zealand Petroleum & Minerals to be effective.

New Zealand runs an annual competitive block tender process for oil and gas exploration permits. Evaluation criteria include capability to meet health, safety and environmental requirements and to engage with indigenous communities. Permits may be granted for up to 15 years and give the holder exclusive rights to explore in the designated area.

An exploration permit does not automatically confer mining rights. These must be applied for separately.

For more information, go to: www.nzpam.govt.nz
The Emissions Trading Scheme

The Emissions Trading Scheme (ETS), established in 2008, is New Zealand’s primary response to climate change and the key mechanism for delivery of New Zealand’s commitment to emission reduction. It is an “all gases, all sectors” scheme, but agriculture is currently required only to report its emissions and not to surrender emission units.

Other sectors are forestry, electricity production, industrial processes, liquid fossil fuels, synthetic gases and waste. As part of a transition towards “full implementation” of the ETS, other than in respect of the forestry sector, emitters are obliged to surrender only one unit for every two tonnes of emissions of carbon dioxide equivalent. Participants can buy units on the open market, or from the government for a fixed price of NZD$25 per unit.

The ETS one for two surrender mechanism will be phased out over three years in three equal instalments, ending on 1 January 2019. The $25 fixed price will remain.

Emission intensive, trade exposed industries are also allocated a number of free emission units to off-set their liability. This free allocation is currently being reassessed as part of a second phase review of the ETS.

For more information, go to: www.climatechange.govt.nz/emissions-trading-scheme
New Zealand
Māori and
the Treaty of
Waitangi

Key points

- Māori are the indigenous people of New Zealand, a status which is recognised in a number of New Zealand statutes, common law principles and the Treaty of Waitangi 1840 (the Treaty).
- New Zealand has no written constitution, but the Treaty is a part of the foundational law of the country. It is, in essence, an agreement between the British Crown and Māori chiefs and establishes a partnership based on mutual duties to act reasonably, honestly and in the utmost good faith.
- The British Crown did not honour the Treaty, with the result that Māori collectives (called iwi or hapū) had legitimate grievances. A structure has been developed to deal with these and the settlement process is now well advanced.
- These settlements have helped to finance the creation of iwi corporations which are now significant players in the New Zealand economy, often in joint venture (JV) arrangements with overseas investors.

The Treaty of Waitangi, signed in 1840 by representatives of the British Crown and Māori, established a partnership imposing on both parties the duty to act reasonably, honestly and in the utmost good faith. The Treaty guaranteed to Māori “exclusive and undisturbed possession of their lands, forests, fisheries and other properties”.

Waitangi Day, held on 6 February each year, is a public holiday to honour the signing of the Treaty. The Treaty has always been the subject of debate as there are two versions – an English version and a Māori version – and there are differences between them. There are also interpretation issues around precisely what is meant by three key Māori concepts – kāwanatanga (governorship), rangatiratanga (chieftainship) and taonga (treasures). Also, as colonisation advanced and there was increased pressure for land, the high principles of the Treaty were often not honoured by settler governments.

Claims under the Treaty are heard by the Waitangi Tribunal. Generally, the Tribunal can only make recommendations to the government which the government may or may not accept. The exceptions are Crown forest land and certain lands previously owned by State-Owned Enterprises, over which the Tribunal may make binding recommendations.

Often the government will choose to enter negotiations with affected Māori collectives to achieve a mutually acceptable solution.

The Treaty is not statute law but became much more relevant in the contemporary context in the 1980s, in part because the government legislated in 1985 to enable the Tribunal to investigate breaches dating back to 1840 and after the insertion into the State Owned Enterprises Act 1986 of a provision preventing the Crown from acting in a manner inconsistent with the Treaty.

**Grievance settlement process**

Iwi receive settlement of their historic grievances with the Crown in the form of cultural and commercial redress. Commercial redress is usually determined by the negotiation of a quantum amount, followed by iwi purchase of Crown lands with that money.

It may also include valuable rights of first refusal for 75 years over surplus Crown lands within the iwi’s traditional area. Iwi have used settlement monies to create large, asset rich Māori corporates. These are now significant players in the New Zealand economy.

Māori control 37% of New Zealand’s fishing quota, and own 36% of forests planted before 1990. Some of these holdings were established through the “Sealords Deal” in 1992 (the Treaty of Waitangi settlement relating to Māori fishing rights) and the “Treelords Deal” in 2007 (the Treaty of Waitangi settlement under which the Kaingaroa Forest was transferred from the Crown to central North Island iwi). Māori also produce 7.4% of New Zealand’s agricultural output.

Iwi corporations have sought to maximise the returns from their asset base through joint ventures and other partnerships with investors who can bring capital, value-added processing and employment opportunities, and market access. China has been a particular focus for these activities.
Key points

- New Zealand has a broad-based income and consumption tax system. This includes withholding taxes on many cross border payments and a robust general anti-avoidance rule.

- The primary revenue sources are: income/company tax, a consumption tax on goods and services (GST) and local authority rates.

- Capital gains tax, stamp duty, gift duty and death duties are not payable in New Zealand.

Income tax

For individuals and companies defined as “resident” in New Zealand, income tax is generally imposed on worldwide income. Non-resident individuals and companies are taxed only on New Zealand-sourced income, and their tax liability may be reduced by the provisions of an applicable Double Tax Agreement.

Individuals are regarded as resident for income tax purposes if they have a permanent place of abode in New Zealand or are present in New Zealand for more than 183 days within any 12-month period. New migrants and, in certain cases, returning New Zealanders who have not been resident for tax purposes in New Zealand for at least ten years, can qualify for temporary transitional residence status. A transitional resident is exempt from New Zealand income tax on their foreign-sourced income other than income from employment or the supply of services for a period of four years after they meet the test for New Zealand tax residency.

A company is regarded as resident in New Zealand if it:

- is incorporated in New Zealand
- has its head office in New Zealand
- has its “centre of management” in New Zealand, or
- is controlled by its directors in New Zealand.

Income tax is imposed at 28% on companies and unit trusts (which are treated as companies under New Zealand tax law). Individuals (both resident and non-resident) are taxed progressively at between 10.5% and 33%. As noted above, non-residents are taxed only on their New Zealand-sourced income.

For individuals, assessable income includes (among other items) salary and wages, bonuses, other employment benefits or remuneration, partnership income and investment income. For salary and wage earners, tax is deducted at source by the employer through the Pay As You Earn (PAYE) system. The amount of tax deducted will depend on the gross salary or wage paid to the employee. Non-cash benefits provided to employees are subject to fringe benefit tax which is payable by the employer.
For companies, net taxable income generally corresponds with accounting profit or loss. However, adjustments are commonly required in relation to:

- the timing of income and expenditure recognition
- bad debts
- capital receipts and depreciation rates, and
- various provisions and reserves.

New Zealand does not levy tax on capital gains. However, in certain circumstances, however, the proceeds from the sale of real or personal property (including shares) may be subject to income tax (for example, where the dominant purpose of the initial purchase was to resell the asset at a profit).

Special provisions apply to residential properties other than the person’s main home:

- income tax is payable on any gains made from sale if sold within two years of purchase, and
- an Inland Revenue Department (IRD) number is required for either purchase or sale. This requirement applies equally to residents and non-residents. Persons resident in another jurisdiction will also have to provide any tax identification number they have in that country.

The Residential Land Withholding Tax (RLWT) applies where the seller is an offshore person and the residential land is sold within two years of acquisition. The RLWT also applies to sales by New Zealand entities that are ultimately more than 25% owned or controlled by offshore persons. (For more detail, refer to the section on New Zealand’s cross-border tax regime.)

**TREATMENT OF TAX LOSSES**

If a resident company or a New Zealand branch of a non-resident company incurs a tax loss, that loss can generally be carried forward indefinitely to offset future New Zealand net income and shared between group companies, provided a certain level of shareholder continuity (or in the case of group companies, common ownership) is maintained. Individuals and trusts can also carry forward tax losses, but these losses cannot be shared with other entities.
TAxATION OF DIVIDENDS PAID BY RESIDENT COMPANIES TO RESIDENTS

Dividends paid by resident companies to resident shareholders are, in most instances, taxable to the shareholder. However, dividends paid between New Zealand resident companies that are part of the same wholly-owned group are generally exempt (subject to certain other requirements).

To avoid the double payment of tax on the same income (i.e. by the company and the shareholder when the company’s income is distributed as a dividend), imputation credits may be attached to dividends paid by resident companies (to both residents and non-residents). Imputation credits received by resident shareholders (companies and individuals) are offset against any tax payable on their income, including tax on dividends received.

A dividend paid by a resident company to a resident is generally subject to a 33% withholding tax. If the dividend is fully imputed (i.e. imputation credits are attached at the maximum rate) only a residual 5% withholding tax will be imposed (i.e. the 33% tax liability is reduced to 5% by the 28% tax paid by the company).

PORTFOLIO INVESTMENTS ENTITIES (PIEs)

Investment entities which are tax resident in New Zealand can take advantage of New Zealand’s PIE tax regime. Broadly speaking, to qualify as a PIE, they must be widely held (or owned by widely held vehicles) with no investor holding more than 20% of any investor class, and the PIE not holding more than 20% of any company or unit trust it invests into (subject to some exceptions). A PIE is exempt from tax on gains from the sale of shares in New Zealand resident companies, and in Australian companies that are listed on certain approved indices of the Australian stock exchange.

PIEs are not taxed like companies. Instead their income is taxed only once – either to the PIE if the investor is an individual or trustee (other than a trustee of a unit trust or charitable trust) or to the investor (if the investor is a company or another PIE). For individuals, the PIE pays tax at more or less the investor’s marginal tax rate, with a cap of 28%.

Non-resident investors in certain PIEs bear no New Zealand tax on foreign-sourced income.

Goods and Services Tax (GST)

GST is a value-added tax charged at 15% on the supply of most goods and services in New Zealand.

Suppliers are required to register for GST if they carry on a taxable activity through which they will make taxable supplies of more than NZ$60,000 per year. A person carrying on a taxable activity can voluntarily register for GST even if under this NZ$60,000 threshold.

Certain supplies of goods and services can be either exempt from GST (e.g. financial services) or zero-rated (e.g. certain “exported” services and supplies wholly or partly consisting of land).

Local government rates

Rates are the main source of local government revenue. These are calculated as a percentage of the value of land and/or capital improvements.
Key points

- New Zealand’s cross border tax regime seeks to ensure that tax on income which is taxable in New Zealand is paid in New Zealand while avoiding situations where income is subject to double taxation.
- The regime is orthodox in international terms.
- New Zealand is party to 40 tax treaties or double tax agreements (DTAs).

DTAs

New Zealand has entered into 40 DTAs to reduce the incidence of double taxation and to provide more certainty for taxpayers operating in more than one jurisdiction. For the full list of DTAs, refer to [http://taxpolicy.ird.govt.nz/tax-treaties](http://taxpolicy.ird.govt.nz/tax-treaties).

Foreign tax credits are generally available to New Zealand residents for foreign income tax on income derived from countries or territories outside New Zealand. The availability and quantum of the foreign tax credit is subject to certain limitations, but does not depend on New Zealand having entered into a DTA with the particular country or territory concerned.

Taxation of overseas investments by New Zealand residents

The taxation of equity investments by New Zealand residents in non-New Zealand companies is governed by the Controlled Foreign Company (CFC) and Foreign Investment Fund (FIF) regimes.

Subject to certain exceptions, a New Zealand resident investor is taxed on income attributed from a CFC or FIF, even though that income may not be received by the New Zealand resident investor.

CFC

Subject to a number of exceptions, the New Zealand investor will be taxed each income year on its proportionate attributed share of all net passive income of the CFC in that year. Net passive CFC income broadly comprises rent, royalties, certain income related to telecommunications services, income from offshore insurance businesses, life insurance policies, disposals of revenue account property, base company services income, certain dividends and interest, less related expenses. Attributed CFC income does not include “active” income.
No attribution of passive income is required if the CFC’s passive income is less than 5% of its total income.

**FIF**
The New Zealand resident shareholder will be taxed each income year on income attributed from a FIF calculated using one of five calculation methods. These methods are:

- fair dividend rate method
- cost method
- comparative value method
- deemed rate of return, and
- attributable FIF income method.

Income from FIFs is generally calculated either using the fair dividend rate method or the comparative value method. The fair dividend rate method taxes the shareholder each income year on deemed income of 5% of the value of the investment at the start of the year. The comparative value method taxes appreciation during the year plus distributions. There are exemptions from both the CFC and FIF regimes for investment in certain Australian companies.

**Taxation of payments to non-residents**

Payments of dividends, interest and royalties to individuals or companies not resident in New Zealand are generally subject to non-resident withholding tax (NRWT). The rate of NRWT imposed depends upon the type of payment and whether a double tax agreement is in place:

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<thead>
<tr>
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<th>Double tax agreement countries</th>
<th>Subsidiary</th>
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<tr>
<td><strong>Dividends</strong></td>
<td>0-15%</td>
<td>0-30%</td>
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<tr>
<td><strong>Interest</strong></td>
<td>10-15%</td>
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<tr>
<td><strong>Royalties</strong></td>
<td>5-15%</td>
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*A 0% rate of NRWT applies to fully imputed dividends paid to a non-resident shareholder holding a 10% or more direct voting interest in a New Zealand company or holding less than 10% but whose post-treaty rate is less than 15%. A 0% rate of NRWT also applies to a fully imputed non-cash dividend. To the extent the dividend is not fully imputed, NRWT will be required to be withheld at 30% (reduced to 15% for countries New Zealand has a double tax agreement with; and to lower rates under some treaties for substantial shareholdings).

**In some cases, NRWT applies at the rate of 0%. See discussion below.**

***Where interest is paid to a non-resident and a resident (jointly) the applicable rate of NRWT will be higher than 15%.

In the case of interest paid to non-associated persons, dividends, and certain royalty payments, NRWT is generally a final tax for New Zealand tax purposes.

The Foreign Investor Tax Credit (FITC) regime supplements the NRWT regime. It effectively eliminates the monetary effect of NRWT on imputed dividends paid to a non-resident shareholder who holds a direct voting interest in a New Zealand company of less than 10% where the post-treaty tax rate (the rate after taking into account any applicable DTA) for the initial dividend is 15% or more.

The FITC regime achieves this by providing a tax credit to the New Zealand resident company, which the resident company must use to fund an additional “supplementary dividend” to the non-resident (which is equal to the NRWT payable where the dividend is fully imputed). This ensures that the non-resident shareholder is in a no less beneficial position than a New Zealand resident shareholder receiving the same dividend.
In respect of interest payments made by an approved New Zealand borrower (Approved Issuer) to a non-associated non-resident lender, the NRWT rate can be reduced to 0%, provided certain conditions and registration formalities are satisfied. Approved Issuers must generally pay a levy – Approved Issuer Levy (AIL) – equivalent to 2% of the interest payment.

Interest paid on certain qualifying widely held bonds may be eligible for a 0% rate of NRWT without the payer having to pay AIL.

Residential land withholding tax

The sale of residential property located in New Zealand and acquired after 1 October 2015 is subject to Residential Land Withholding Tax (RLWT) when sold within two years of acquisition by offshore persons, or by New Zealand entities ultimately more than 25% owned or controlled by offshore persons. RLWT is generally withheld by the seller’s conveyancing agent on the lower of 33% of the seller’s gain (28% where the seller is a company) or 10% of the total purchase price.

RLWT is not a final tax – the seller is required to file a New Zealand tax return and claim a credit for RLWT withheld against tax payable. Certificates of exemption are available for developers, dealers and builders and for sellers who have used the property as their main home for the majority of the ownership period. (Refer also to the section on Buying and developing real estate in New Zealand.)

Transfer pricing and thin capitalisation

New Zealand’s transfer pricing regime seeks to protect the New Zealand tax base by ensuring that cross-border transactions are priced (at least for tax purposes) on an arm’s length basis.

New Zealand also has thin capitalisation rules which, broadly speaking, disallow certain interest deductions for a foreign owned New Zealand group (if their debt to asset ratio exceeds 60%) or for New Zealand residents with an income interest in a CFC or who control a resident company with such an interest (if their debt to asset ratio exceeds 75%).

Import duties

Import licensing, once a common means of sheltering New Zealand producers, no longer exists in New Zealand, with tariffs now the principal form of protection.

Over recent years, there has been a steady reduction of tariff rates for goods imported into New Zealand. Tariff rates vary from item to item and depend upon the country of origin, with preferential rates being applied to Australia, Canada, “least-developed countries”, “less-developed countries” and Pacific Forum countries. Items that are outside the scope of local manufacturing are generally duty free, or may qualify for a duty concession.

Where New Zealand is party to a free trade agreement (FTA), the FTA will address in detail the tariffs applicable between the two countries.

GST is also charged on any goods that are imported into New Zealand. An input tax credit can be claimed for this GST (meaning no net cost arises) where the importer is GST-registered and is acquiring the imported goods for the purpose of making supplies which are subject to GST.
Key points

- New Zealand contract law is light handed, allowing contracting parties to contract on commercially agreed terms.

- Most contracts can be concluded orally. Contracts involving land, mortgages, guarantees, extended consumer warranties, credit contract disclosures or employment agreements must be written.

Particular provisions

While New Zealand’s contract law is primarily based on common law principles, various statutory overlays apply. In particular:

- if one party to a contract is a consumer, certain consumer protections will apply regardless of the terms of the contract (see the Consumer Protections in New Zealand section for details)

- credit contracts with consumers are subject to the Credit Contracts and Consumer Finance Act 2003 (see the Consumer Protections in New Zealand section)

- the Sale of Goods Act 1908 sets out various terms that are read into contracts for the sale of commercial goods unless the parties clearly intended otherwise

- the Minors’ Contracts Act 1969 means that a contract with a person under the age of 18 cannot be enforced against that person, subject to certain specific exceptions and the court’s discretion

- the Contractual Remedies Act 1979 allows a party to cancel a contract for breach, repudiation or pre-contractual misrepresentations (if prescribed criteria are satisfied), and/or recover damages. The courts also have the power to grant other types of relief under the Contractual Remedies Act

- the Illegal Contracts Act 1970 provides that contracts which are illegal at law or equity will be of no effect and grants the courts the power to make a variety of orders including amending the contract. Unreasonable restraints of trade and penalties are examples of illegal contracts at law – broadly consistent with other jurisdictions that share an English common law heritage, and

- the Contractual Mistakes Act 1977 allows the courts to grant relief, including to cancel the contract, vary the contract or make orders for compensation, in limited circumstances where a party can establish it entered into the contract as a result of a genuine mistake of fact.

New Zealand does not have any separate laws or regulations for contracts involving foreign-owned entities.

The Electronic Transactions Act 2002 gives electronic signatures the same status as paper signatures, provided the technology used to produce the signature meets certain statutory criteria as to reliability, traceability and tamper-detection. Powers of Attorney, wills and other testamentary instruments, negotiable instruments and bills of lading cannot be made or signed electronically.
The principal pieces of consumer legislation are:

- the Fair Trading Act 1986
- the Consumer Guarantees Act 1993
- the Credit Contracts and Consumer Finance Act 2003, and
- the Privacy Act 1993.

Fair Trading Act 1986

The Fair Trading Act applies to anyone “in trade”. It prohibits:

- engaging in conduct that is likely to mislead or deceive
- engaging in conduct that is liable to mislead as to the nature, manufacturing process, characteristics, suitability for purpose, or quantity of goods or services
- engaging in misleading conduct in relation to employment that is or may be offered to a person
- making false, misleading or unsubstantiated representations in respect of goods or services, and
- including or enforcing any terms in a standard form consumer contract that have been declared unfair by a court, in accordance with the Fair Trading Act.

These prohibitions apply whether the activity is intentional or not.

The Fair Trading Act sets information and safety standards for some types of products, including children’s nightwear, baby walkers and bicycles. It also deals with miscellaneous consumer protection matters such as layby sales, direct (door-to-door or telephone) sales, extended warranty agreements, auctions, and product recalls. It prohibits various types of unethical commercial behaviour including falsely applying trade marks, falsely offering prizes, bait advertising, and pyramid selling.

The Fair Trading Act is enforced by the Commerce Commission and gives consumers direct rights of action. Suppliers of goods and services to consumers cannot contract out of the Fair Trading Act, and business-to-business contracts can only exclude the Fair Trading Act in specific circumstances.

Breaching the Fair Trading Act can attract both civil and criminal penalties. Penalties include:

- fines of up to $200,000 per offence for an individual and $600,000 per offence for a company
- orders for payment of the equivalent revenue or commercial gain earned from certain offending
- corrective advertising orders
- contract rectification, and
- compensation payments to affected parties.
Consumer Guarantees Act 1993

The Consumer Guarantees Act:

• provides consumers with certain minimum guarantees in relation to the quality, suitability and other aspects of goods and services, and a basic guarantee as to title to goods

• where goods or services fail to comply with one or more of those guarantees, gives consumer remedies against suppliers and (in the case of goods) against the original manufacturer.

The Act defines a consumer as a person who “acquires goods or services of a kind ordinarily acquired for personal, domestic or household use or consumption” and who does not hold him or herself out as acquiring the goods or service for the purpose of resupplying them in trade, using them in a manufacturing process or repairing the goods in trade.

This means that in many cases the Act may apply to business-to-business transactions involving consumer goods and services. Contracting out is permitted for business-to-business transactions, but only where certain statutory criteria are met.

Breath of the statutory guarantees in the Act may give rise to a right to damages, including for consequential losses sustained as a result of the breach of guarantee, and the right to cancel a contract and be refunded any amounts paid.

A consumer must first request the supplier or manufacturer to rectify any breach of the statutory guarantees. If the supplier or manufacturer does not satisfactorily remedy the defect, the consumer may bring a claim to the Disputes Tribunal, or the High Court or District Court, depending on the value of the claim.

The Consumer Guarantees Act does not contain offence provisions. However, it is an offence under s13(i) of the Fair Trading Act for suppliers of goods and services to attempt to contract out of the Consumer Guarantees Act.

Credit Contracts and Consumer Finance Act 2003

Providing credit at the consumer level through credit contracts and hire purchase agreements is regulated by the Credit Contracts and Consumer Finance Act (CCCFA). The CCCFA sets out disclosure requirements for contracts, allows debtors to have the terms of a contract changed for hardship reasons and allows the courts to re-open and vary “oppressive” contracts. The CCCFA requires repossession agents to be licensed and prohibits lenders taking security over certain “essential” goods or particular types of documents.

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Lenders are required to exercise care, diligence and skill in dealing with consumers and to comply with certain specific lender responsibilities. The responsible lending code provides guidance on how lenders can comply with these principles.

Privacy Act 1993

The Privacy Act 1993 governs the collection, use, storage and disclosure of “personal information”, which includes any kind of information about an identifiable individual. This is not limited to information that is inherently private or sensitive, such as health or financial information. The Act applies to public agencies and private enterprises alike.

The Act centres on a set of “Information Privacy Principles”, which are similar to those in equivalent Australian legislation. Summarising broadly, key principles include that:

• an agency must not collect personal information except for a lawful purpose, and then only where necessary for that purpose

• when collecting personal information, unless defined exceptions apply, an agency must collect the information directly from the individual, and must take reasonable steps to ensure the individual is made aware of the collection and provided with certain details about who is collecting the information and for what purpose
• an agency must not collect personal information by unlawful means, or by means that are unfair or intrude to an unreasonable extent upon personal affairs
• an agency holding personal information must ensure that the information is protected by reasonable security safeguards against loss, unauthorised access/use/modification/disclosure, and other misuse
• individuals have certain rights to know what personal information an agency holds about them, and to request correction of that information
• before using personal information, an agency must take reasonable steps to ensure the information is accurate, up to date, complete, relevant, and not misleading
• an agency must not keep personal information for longer than is required for the purposes for which the information may lawfully be used, and

The Privacy Act is due to be amended in 2016. It is likely that the changes will include:
• mandatory requirements for notification of data breaches
• restrictions on the transfer of personal information from New Zealand to jurisdictions with less than adequate privacy protections, and
• enhanced powers for the Privacy Commissioner to conduct "own motion" investigations.

Retail regulation
Many other laws and regulations affect the operation of retail businesses, including:
• smoke free legislation
• restrictions on the sale of alcohol
• restrictions on shop trading days
• weights and measures standards
• food safety and labelling legislation, and
• restrictions on sending commercial or advertising/promotional messages by email, text (SMS), fax or other electronic means.

Other regulations
New Zealand law regulates a number of other activities, goods and services available to the public including:
• gambling, which must be authorised by the Gambling Act 2003. You should seek specialist advice if you plan to provide any kind of gambling activity as a primary or ancillary part of your proposed business or where you offer prizes in exchange for the purchase of goods or services, and
• the supply of medicines and medical devices, which must be registered with Medsafe, a division of the Ministry of Health.
Key points

- The Employment Relations Act 2000 is the primary piece of legislation regulating the workplace in New Zealand.
- Fewer than 20% of employees belong to unions. Unionism is strongest in the public sector, the meat industry and the waterfront. Strike action is not common and tends to be localised.
- New Zealand has 11 public holidays and employees are entitled to four weeks’ paid annual leave a year, after 12 months’ employment.

The Employment Relations Act

All employment relationships are governed by the Employment Relations Act 2000 (including senior and executive employee relationships). Independent contractors are not governed by the Act, but the Courts and the Inland Revenue Department can examine the “true nature” of the relationship to determine whether the person is a contractor or an employee.

Agreements under the Employment Relations Act must be in writing, and may be individual (between an individual employee and the employer) or collective (between one or more unions and one or more employers). Employers must hold a signed copy of employment agreements.

Union membership is not compulsory but all collective agreements must be negotiated and concluded with a union.

GOOD FAITH

The parties to an employment relationship must not do anything to mislead or deceive each other. They must be “active and constructive” and “responsive and communicative” in their dealings with each other.

Bargaining must be conducted in good faith. Employers and employees/unions must, at a minimum, come to the bargaining table, listen and respond to what the other party puts forward.

Employers proposing to act in a way that may have an “adverse effect” on their employees, such as a proposal to disestablish the employee’s role, must provide information about the decision and consult with their employees in good faith before the decision is made (subject to genuine although strict confidentiality exceptions).

SALE OF A BUSINESS/CONTRACTING OUT

When engaging in a sale, merger or contracting out arrangement, as well as complying with the good faith/consultation requirements described above, an employer must negotiate with the proposed purchaser/new employer in relation to the employees. Such negotiations must include discussion about who will
be offered employment with the new employer, and on what terms and conditions.

The Act also provides that “vulnerable employees” (primarily cleaning and food catering workers) are entitled to transfer to the new employer as of right and to bargain for redundancy payments with the new employer if their services are not required.

**TERMINATION**

Most individual employment agreements are indefinite (i.e. they continue until terminated) but the law also recognises casual and fixed term employment arrangements. Fixed term agreements are lawful, but subject to certain restrictions.

The employee can end an indefinite employment arrangement by giving the specified notice period. However, an employer can terminate an employee’s employment only after following a prescribed legal process and only for reasons of redundancy, misconduct, poor performance, abandonment or incapacity.

An employee has 90 days following any termination to raise a personal grievance claim against the employer – unless the parties have agreed on a written 90-day trial at the time of hiring, in which case the employer can terminate the employment arrangement without following the normal process or facing a personal grievance. There are strict requirements regarding trial period clauses (for example, agreements with trial clauses must be signed before the employee starts work).

There is no statutory right to redundancy compensation in New Zealand and, other than in very limited circumstances, compensation is only payable if it is provided for in the employment agreement.

**DISPUTE RESOLUTION**

The Act encourages mediation as the primary means of settling employment disputes. If mediation is unsuccessful, the parties may have their dispute decided by the Employment Relations Authority, an investigative body. If still unsatisfied, parties have a right of appeal to the Employment Court.

Very often, employment disputes are solved in mediation and do not proceed to litigation.

**STRIKES AND LOCKOUTS**

The only lawful strikes or lockouts are those that relate either to bargaining for a collective agreement or to health and safety issues.

When a strike occurs, an employer can only use existing employees to perform the work of the striking employees, and then only if the existing employees agree to perform the work. External workers may only be employed when the work is necessary for public health and safety reasons.

**UNIONS**

Only a small proportion of New Zealand businesses have a union presence. However, unions may try to recruit members at any workplace, at any time (provided that they access the workplace at reasonable times, in a reasonable manner).

**Working conditions**

Every employee in New Zealand is entitled to a number of basic rights.

- The Minimum Wage Act 1983 prescribes statutory minimum wages for adult employees, employees who are starting out (under 20 years of age and meeting specific criteria) and employees who are training (20 years and over and attending an approved training course). These rates are reviewed annually.

- The Holidays Act 2003 provides all employees with up to 11 statutory holidays a year (if the day is otherwise a working day for the employee), time and a half for working on a public holiday, four weeks’ paid annual leave after 12 months employment and, after six months’ employment, five days’ sick leave per year and bereavement leave of three days on the death of close relatives and one day on the death of any other person.

- The Parental Leave and Employment Protection Act 1987 provides for both parents to take specified periods of parental leave (unpaid) on the birth or adoption of a child. Primary caregivers are entitled to up to 16 weeks’ government-funded paid parental leave to a maximum amount (which is reviewed regularly) or to 100% of the parent’s previous weekly earnings, whichever is the lower. The scheme allows the mother of the child to claim the paid leave or transfer the payment to the child’s other parent, including same sex partners. The duration of the payments will increase to 18 weeks on 1 April 2016.
• KiwiSaver is the New Zealand government’s superannuation scheme. Employers are required to contribute 3% of employees’ gross earnings to an employee’s chosen KiwiSaver scheme. All new employees must be automatically enrolled in KiwiSaver but they can choose to opt out in the first six weeks. Existing employees can choose to join KiwiSaver at any time. Total remuneration approaches (where employer contributions are deducted from the employee’s salary) are generally permitted.

**Payroll tax**

In addition to KiwiSaver contributions and Accident Compensation Corporation (ACC) levies (see below), employers in New Zealand are required to deduct “Pay As You Earn” payroll tax (PAYE). Deductions are made on a fortnightly or monthly basis. The Inland Revenue Department may also require other deductions such as payments towards student loans or child support.

**Health and safety**

The Health and Safety at Work Act 2015 assigns responsibility for workplace safety to “officers” and employing entities.

Officers are directors and very senior managers which, in the majority of cases is likely to be just the Chief Executive. They have a positive duty of due diligence to “take all reasonable steps” to ensure that the entity (defined as the Person Conducting a Business or Undertaking, (PCBU)) is fulfilling its obligations under the law.

The PCBU is required to ensure the health and safety of all who work for it or could be put at risk by that work. This requires that it put in place processes to eliminate or – if elimination is not possible – minimise safety risks so far as is reasonably practicable.

**Accident compensation**

The Accident Compensation Act 2001 provides a statutory no-fault scheme under which cover is available to those suffering personal injury, and legal claims are prohibited.

Coverage is broad based and includes most physical injuries, regardless of whether they occur in the workplace or elsewhere. Unless sustained as the victim of a crime, pure mental injury is not covered by the scheme.

Compensation for injuries can take the form of payments for loss of earnings, health care treatment, rehabilitation, an independence allowance for disability, funeral expenses and death benefits for dependents. The scheme is funded from a number of sources, including levies on employers (linked to the amount of wages paid, with levy rates determined on the basis of injury rates in the relevant industry), levies on employees, taxes on vehicle registration and taxes on petrol.

Another option is the ACC’s accredited employer programme under which employers can elect to pay a reduced levy in return for funding all or a share of any compensation entitlements incurred at their workplace. To be accepted for the programme, the employer must satisfy a number of criteria, including a minimum level of safety expertise and financial solvency.

Accident compensation benefits, but not earnings-related compensation, are available to non-residents who are injured while in New Zealand.

**DISCRIMINATION**

Under the Human rights Act 1993, discrimination in employment on the basis of an employee’s (or prospective employee’s) sex, marital status, religious beliefs, ethnic beliefs, colour, race, ethnic or national origin, disability, age, political opinions, employment status, family status, sexual orientation or union involvement is subject to legal sanction.
Anti-trust, competition law in New Zealand

Competition and anti-trust law in New Zealand is administered through the Commerce Act 1986. This:

- prohibits restrictive trade practices
- regulates business acquisitions, and
- allows price controls to be imposed in certain industries.

Restrictive trade practices

Part 2 of the Commerce Act regulates restrictive trade practices, unless explicitly authorised by the Commerce Commission on public benefit grounds. Such practices include:

- any contracts, arrangements or understandings which have the purpose, effect, or likely effect of substantially lessening competition in a market
- price-fixing and market-sharing arrangements among competitors
- collective boycotts among competitors which prevent or restrict trade, resulting in a substantial lessening of competition
- resale price maintenance arrangements by which suppliers of goods set and enforce sale prices to be charged by re-sellers, and
- taking advantage of a substantial degree of market power (which can include trans-Tasman markets) for the purpose of restricting entry into a market, deterring competitive conduct, or eliminating a competitor from a market.

Engaging in a prohibited practice may result in a penalty of:

- up to NZ$500,000 for individuals, and
- for a body corporate, the greater of NZ$10 million or either three times the value of any commercial gain resulting from the contravention (if it can be easily ascertained) or 10% of the turnover of the body corporate and all its related bodies corporate.

Part 2 of the Commerce Act is being reformed. The Commerce (Cartels and Other Matters) Amendment Bill will allow an exemption for conduct containing a cartel element where the arrangement and has not been entered into with the dominant purpose of reducing competition. It also provides for a clearance process under which an entity can apply to the Commerce Commission to test whether a proposed contract contains a prohibited cartel provision.

The misuse of market power regime is also being reviewed with a view to implementing an effects test.

Business acquisitions

Part 3 of the Commerce Act prohibits the purchase of shares in or assets of a business where the acquisition would have (or would be likely to have) the effect of substantially lessening competition in a market.

The Commerce Commission is charged with administering the Commerce Act. Parties to an acquisition which may raise competition concerns may seek pre-transaction clearance from the Commission. Clearance, if granted, immunises the deal from scrutiny by the Commission or third parties. The clearance regime is voluntary and it is common for mergers to proceed on a non-notified basis.
The Commission aims to decide clearance applications within 40 working days of the application being registered. However, depending on the scale and complexity of the transaction, this timeframe can increase significantly. A recent clearance application took 11 months from the date of registration until the ultimate decision was made.

**ALERT...**

Businesses should seek advice on the likely timing of a clearance application process and the potential implications of this prior to entering into the formal clearance regime.

In assessing whether a merger is likely to substantially lessen competition, the Commission will analyse the merged firms’ ability to raise prices and/or reduce product quality or service, relative to what would have occurred without the acquisition. Relevant to this enquiry are the market share of the merged entity, the market shares of other participants, the likelihood of new entry, the merged entity’s relationship with suppliers and purchasers, and whether there are features of the market which are suggestive of the potential for collusion and discipline.

The Commission’s guidance is that a merger or acquisition is unlikely to raise Commerce Act concerns if, after the acquisition:

- the three largest firms in the market have a combined market share of less than 70% and the merged entity has a market share of less than 40%, or
- the three largest firms in the market have a combined market share of more than 70% and the merged entity has a market share of less than 20%.

**ALERT...**

Before relying on these “indicators”, it is wise to seek specific advice and carefully consider the relevant market definitions and dynamics. It is also worth noting that they are only a starting point for the analysis and that falling outside them will not necessarily mean that an acquisition will be judged to lessen competition. For example, market shares may be high but there may be few barriers to entry or expansion.

Maximum penalties for an acquisition in breach of the Commerce Act are:

- NZ$500,000 for individuals
- NZ$5 million for companies, and/or
- an order requiring divestment of specified assets or shares (which can potentially include unwinding the merger).

**Price controls**

Part 4 of the Commerce Act contains a mechanism to impose price controls on particular goods and services. There are no restrictions on the industries to which Part 4 may apply.

Industries currently subject to specific market regulation include:

- telecommunications (under the Telecommunications Act 2001)
- dairy (under the Dairy Industry Restructuring Act 2001), and
- electricity lines services and the gas industry (under the Commerce Act 1986).
Intellectual property in New Zealand

Key points
- New Zealand’s intellectual property laws are derived from English legislation and common law.
- They reflect international norms, the TRIPS Agreement and New Zealand’s World Trade Organisation obligations.
- Principal statutes are the Copyright Act 1994, the Patents Act 2013 and the Trade Marks Act 2002.

Copyright
The Copyright Act grants exclusive rights to:
- copy a work
- issue copies of the work to the public
- play, perform or show certain works in public
- “communicate” the work, and
- make an adaptation of the work.

Works that can be subject to copyright include: literary works, computer programmes, dramatic works, artistic works (which may include drawings, moulds, dyes etc. for utilitarian items such as machinery or clothing), musical works, sound recordings, films and broadcasts, including over the internet.

To qualify for protection, a work must be “original”.

In accordance with the Berne Convention (to which New Zealand is a signatory) copyright is established as soon as the work is created. A work does not need to be registered to gain protection.

The copyright term for industrially applied three-dimensional works is usually 16 years. Protection for industrially applied “works of artistic craftsmanship” lasts for 25 years. For other works, copyright generally lasts for 50 years. This will have to be extended to 70 years at the ratification of the Trans-Pacific Partnership Agreement.

The copyright in literary, dramatic, musical and artistic works generally lasts for the life of the author plus 50 years.

Public performances of various kinds may also be the subject of separate protection given in certain circumstances to performers (but not in the performance of sporting activities). In addition, the Copyright Act protects “moral rights” which, (depending on the circumstances) may include: a right to be identified as the author, a right to object to derogatory treatment of a work, and a right against being falsely attributed as the author of a work.

Under New Zealand law, moral rights are not assignable. They can, however, be waived.
Patents

Protection under the Patents Act 2013 allows the owner of a patented invention to prevent others from exploiting – e.g. making, using or selling – it for 20 years from the date of the patent.

A patent will be granted where the Commissioner of Patents is satisfied “on the balance of probabilities” that the application meets the requirements under the legislation. The most important of these are that the invention meets a universal or absolute novelty test and involves an inventive step (meaning that it is not “obvious”).

Certain things are excluded from patentability, including methods of medical treatment of human beings by surgery or therapy, a method of diagnosis practised on human beings, and inventions the commercial exploitation of which would be contrary to public order or morality.

“Embedded software” may be patented. “Swiss-type” patent claims in the pharmaceutical area are possible.

Various procedures are open to third parties wishing to object to or oppose a patent, both before and after grant. These include asking for a re-examination.

Registered designs

New and original industrial designs are registerable under the Designs Act 1953 if their shape, configuration, pattern or ornamentation has visual appeal. The period of protection is for an initial five years, with rights of renewal for two further five-year periods.

Because the Copyright Act protects industrially applied artistic works and useful articles in New Zealand, some businesses are content to rely on copyright law only (although there are advantages to gaining registration under the Designs Act).

Trade marks

Registration of a trade mark under the Trade Marks Act 2002 gives the proprietor the exclusive right to use the trade mark in relation to the goods and/or services for which it was registered.

The Act permits comparative advertising involving registered trade marks, except where the advertisements are “unfair” to the reputation of the mark. The Act also contains “anti-dilution” provisions to prevent unfair use of well-known registered marks in relation to goods and services that are dissimilar to those for which the mark is registered. Marks involving Māori language or symbols must be referred to a special committee for consideration before they are eligible for registration.

The Madrid Protocol allows for a multi-country trade mark application process.

Company names

A company name will not be approved if it is identical (or nearly identical) to an existing company name. Registering a company or reserving a company name gives no right to use the name as a trade mark, and provides no defence to infringement of third party trade mark rights. (This is also the case in respect of domain names.)

Domain names

Regional domain names, such as “.co.nz” and “.govt.nz”, are registrable in New Zealand. New Zealand courts have protected businesses against “cybersquatting” in some instances. There is also now a dispute resolution service operated by the Domain Name Commission, similar to the UK Nominet service.
Passing off
The law of passing off may also be invoked to protect business goodwill and is frequently used for the protection of trade marks (whether or not registered), names, logos, packaging designs and shapes. The principles are similar to those that have been developed in English and Australian common law. This law is augmented by a consumer protection statute, the Fair Trading Act 1986, which may capture misleading conduct in trade involving trade marks (see the Consumer Protections in New Zealand section).

Parallel importation
Importers can import lawfully made goods from foreign countries in commercial quantities without infringing the copyright of the "official" distributor in New Zealand, or of the overseas manufacturer. However, the prohibition against importing pirated goods, made without the copyright owner’s consent, remains in force.

Confidential information
New Zealand law protects confidential information relating to trade secrets, such as business methods and industrial processes. As with passing off, the principles are similar to those that have been developed in English and Australian law. Non-disclosure agreements (NDAs) are useful for providing contractual rights to prevent disclosure of confidential information and can be used to supplement common law rights.
Financial services in New Zealand

Key points

- New Zealand has a highly developed financial services regulatory regime, with comprehensive licensing requirements.
- New Zealand is favourably regarded for its “ease of doing business” compared to most other countries.
- New Zealand operates an open foreign exchange system.

Overview of licensing, registration and compliance requirements

Licensing is required for registered banks, insurers, non-bank deposit-takers, fund managers and derivatives issuers (in respect of products offered to retail investors), certain supervisor trustees, discretionary investment management service (DIMS) providers who offer retail services on a class basis, providers of crowdfunding and peer-to-peer lending services, operators of financial product markets (such as a stock exchange) and auditors.

Financial advisers and DIMS providers who provide personalised services to retail clients in relation to more complex products (not, for example, bank deposits) must be authorised.

Fund managers and other financial product providers, financial advisers, DIMS providers, derivatives issuers, supervisor trustees, brokers and custodians must also comply with a range of money handling, financial reporting and other conduct obligations.

Foreign financial service providers who provide financial services solely to wholesale clients (such as investment businesses, fund managers, large companies, government entities and certain eligible investors) are relieved from registration requirements.

A financial institution that is engaged in certain financial activities in New Zealand must comply with the requirements of New Zealand’s anti-money laundering and countering financing of terrorism legislation.

Financial services providers must register in the Financial Service Providers Register. Those who provide retail services need to engage a dispute resolution service.
Bank registration
Any financial institution that carries on any activity directly or indirectly in New Zealand with a name or title that includes “Bank”, “Banker” or “Banking” must be authorised to use that name in New Zealand by the Reserve Bank. Overseas banks may be able to obtain limited relief for certain activities where the restricted words can be used without being a registered bank.

Registered banks are subject to the full regulatory oversight (including prudential supervision) of the Reserve Bank. Only financial institutions that can demonstrate an ability to carry on their business in a prudent manner, and which have appropriate standing and repute in the financial markets, are permitted to be registered as banks in New Zealand. The Reserve Bank takes into account both qualitative (the applicant’s financial standing and ability to manage its business prudently) and quantitative criteria (key prudential requirements).

Overseas banks must have the approval of and comply with the prudential requirements of their home supervisor to conduct banking business in New Zealand. Overseas banks which are not registered in New Zealand and operate bank accounts or offer debt securities to retail investors in New Zealand must comply with certain conditions and file their financial statements with the New Zealand Companies Office.

Non-bank deposit takers
Anyone who takes deposits or offers debt securities to retail investors and carries on the business of borrowing and lending money must be licensed as a non-bank deposit taker by the Reserve Bank. Relief can be obtained for overseas banks in some circumstances.

Non-bank deposit takers must comply with a range of prudential obligations under the applicable legislation.

Insurers
All insurers and reinsurers carrying on insurance business in New Zealand must be licensed by the Reserve Bank. Licence obligations include:
- maintaining solvency and file solvency statements, in accordance with standards prescribed by the Reserve Bank
- having an appointed actuary
- obtaining, publishing and disclosing to New Zealand policy holders and the Reserve Bank current financial strength ratings (i.e. a credit rating) from an approved rating agency, and
- establishing and complying with “fit and proper” policies for directors and senior officers.

Life insurers must maintain at least one statutory fund that relates solely to the insurer’s life insurance business and is available to meet life insurance liabilities.

Generally, an overseas entity carrying on business in New Zealand will not be able to use a name or title including the words “insurance”, “assurance”, “underwriter” or “reinsurance” (or similar words), without an exemption from the Reserve Bank.

Offering investments in New Zealand
Various obligations apply to how financial products are created, promoted and sold to both retail and wholesale investors in New Zealand. These include:
- disclosure requirements when making a regulated offer of financial products to investors in New Zealand (refer to the Investing in New Zealand’s capital markets section)
- fair dealing rules which prohibit disclosure in New Zealand that is likely to mislead or deceive the public in relation to financial products or services. The fair dealing rules apply to conduct in New Zealand in relation to financial products whether related to retail or wholesale offers registration and governance requirements for managed investment schemes, debt securities, KiwiSaver and superannuation schemes
- financial reporting obligations for issuers, fund managers, registered banks, insurers and other licensed entities. Each reporting entity must prepare audited financial statements (or group financial statements, if it has any subsidiaries) and register these with the New Zealand Companies Office, and
- investor money handling rules for offers of derivatives to both retail and wholesale investors.

Managed/collective investment schemes
If a managed investment scheme is offered to retail investors in New Zealand, it will need to be registered in New Zealand under New Zealand law. Registered
managed investment schemes are highly regulated and must comply with specific registration, disclosure and governance requirements. The manager of the scheme must be licensed and an independent licensed supervisor (trustee) must be appointed.

If the scheme is marketed solely to wholesale investors in New Zealand, it will not need to be registered.

The Trans-Tasman mutual recognition regime allows Australian offerors to use their Product Disclosure Statement (PDS) and prospectuses in New Zealand, without requiring that the manager must be licensed.

**Financial Service Providers Register**

Anyone who carries out financial services in New Zealand must be registered as a financial services provider in the Financial Service Providers Register. This includes financial advisers, banks, securities issuers, fund managers, custodians, money managers, credit contract providers, credit card providers, travellers cheque providers, currency exchanges, insurers, trustees, listed companies, issuers of derivatives to the public and foreign exchange dealers.

Foreign financial services providers who reside outside New Zealand and provide financial services in New Zealand will generally not need to register (provided they are not offering financial advice in New Zealand).

Registration as a financial services provider in the Financial Service Providers Register is not a licence or an endorsement by the Financial Markets Authority.

Depending on the nature of the financial services offered by the registered entity in New Zealand, it may also need to be authorised or obtain a market services licence. If financial services are provided to retail clients, the financial services provider must also join an approved dispute resolution scheme.

Registered providers can be deregistered if their registration is likely to be misleading as to the extent financial services are provided in New Zealand or from a place of business in New Zealand, the provider is regulated by New Zealand law or the registration would damage the integrity or reputation of New Zealand financial markets.

**Financial advisers and discretionary investment managers**

Any person who advises on financial products or provides an investment planning service is subject to certain disclosure requirements and conduct obligations.

The requirements apply to financial services providers resident overseas, if the service is provided in New Zealand.

Persons providing services on a personalised basis relating to more complex products will generally also have to become authorised by the Financial Markets Authority and meet certain standards. This will require them to:

- meet certain authorisation criteria and have certain prescribed qualifications (which generally are available only in New Zealand)
- provide certain prescribed disclosures to their clients
- meet certain conduct obligations relating to ethical, client care, competence, knowledge, skills and continuous training standards, and
- be party to an approved dispute resolution service.

Any person who makes investment management decisions on behalf of another under an authority is subject to certain conduct disclosure obligations and needs to be licensed if the services are non-personalised.

Reduced requirements apply in relation to services provided to wholesale clients (such as investment businesses, fund managers, large companies, government entities and certain eligible investors) or only on a class basis.

**Brokers and custodians**

Brokers and custodians who carry on the business of receiving and holding, paying or transferring client money or client property must comply with certain broker disclosure and conduct obligations.

These obligations apply whether or not the business is the provider’s only business or the provider’s principal business and regardless of whether the service is provided from overseas or in New Zealand.

Fewer conduct obligations apply to brokers providing broking services only to certain wholesale clients than to those providing services to retail clients.
Foreign exchange market

There are no restrictions on the buying and selling of foreign currencies. The New Zealand banking system offers a full range of foreign exchange services including spot, forwards, futures, options and the more sophisticated derivative products.

New Zealand operates a very open regime. Borrowers may raise finance on and off-shore and in the currency of choice. Banks are actively engaged in the provision of short and medium-to-long term debt to the consumer, commercial and corporate sectors. Market forces determine the level of interest rates.

Repatriation of funds

There is no restriction on the repatriation of capital or earnings of a New Zealand business to overseas investors. This includes the remitting of dividends, profits, interest, royalties, management fees, etc. In many cases, however, non-resident withholding tax will be required to be deducted from the amount of those payments. For more information on New Zealand tax, please refer to the section on New Zealand’s cross border tax regime.

Anti-money laundering legislation

The New Zealand anti-money laundering and countering financing of terrorism (AML/CFT) regime requires overseas entities engaged in certain financial activities in the ordinary course of business in New Zealand to:

- carry out various levels of customer monitoring and due diligence, identity verification and suspicious transaction reporting in accordance with the AML/CFT legislation
- undertake and prepare a written risk assessment of the risk of money laundering and the financing of terrorism that it may reasonably expect to face in the course of its business, and
- establish, implement and maintain an AML/CFT compliance programme under the administration of a dedicated compliance officer.

Other regulations

New Zealand also has rules regarding:

- registration as an overseas company when a foreign company is carrying on business in New Zealand
- compliance with FATCA (Foreign Account Tax Compliance Act), AEOI (Automatic Exchange of Information) and Common Reporting Standards (CRS), and
- registration and establishment of limited partnerships.
Investing in New Zealand’s capital markets

Key points

- New Zealand has a stock exchange which comprises two main securities markets – the NZX Main Board and the NZX Debt Market operated by NZX.

- The Takeovers Code restricts investors and their associates from holding or controlling more than 20% of the voting rights in a “code company”, which includes listed companies.

- The Overseas Investment Act also applies to investments in New Zealand listed companies.

- There are laws against insider trading and market manipulation, which are enforced by the New Zealand Financial Markets Authority.

Capital markets in New Zealand

NZX operates the two main capital markets in New Zealand:

- the NZX Main Board, New Zealand’s principal market for equity securities, with around 160 issuers, which allows investors to trade in some of New Zealand’s largest and most well-known companies, and

- the NZX Debt Market, which allows investors to trade in a wide variety of debt securities, including New Zealand government bonds.

NZX also operates the NXT Market, for small to medium sized companies, and the NZX Derivatives Market, which includes the Global Dairy Futures and Options Market, and the Equity Derivatives Market.

Takeovers Code and Overseas Investment Act

All listed companies are subject to the New Zealand Takeovers Code, which regulates changes in the voting rights of “code companies”.

**ALERT**

A code company is any New Zealand company that is listed or which has 50 or more shareholders.

The Takeovers Code restricts a person, together with its associates, from holding or controlling more than 20% of the voting rights in a code company or increasing a holding or control that is already above 20%.

The Takeovers Code permits a person, together with its associates, to hold or control voting rights above the 20% threshold in certain circumstances, including a full or partial takeover offer. The procedure for undertaking a takeover offer is detailed in the Takeovers Code and includes a number of specific timing and disclosure requirements. The Takeovers Panel is the regulatory body responsible for administering the Takeovers Code.
In addition, the Overseas Investment Act may apply to investments in New Zealand’s capital markets. See the Overseas Investment in New Zealand section for further details.

Insider trading and market manipulation

New Zealand has insider trading laws that prohibit investors trading where they hold information that is not generally available and which a reasonable person would expect to have a material effect on the price of the quoted securities, regardless of the source of that information.

Passing on such information to another person or advising a person to hold or trade securities while holding such information, known as “tipping”, can also breach New Zealand insider trading laws.

New Zealand has a general prohibition against market manipulation, which captures a range of behaviours such as publishing a false or misleading statement that is likely to affect trading in quoted securities or doing something that creates a false or misleading appearance of trading.

A breach of the insider trading or market manipulation laws can result in civil or criminal liability for the person responsible, as well as possible accessory liability for others involved in the contravention.
Fundraising in New Zealand

Key points

• Issuers are required to prepare and register a “Product Disclosure Statement” in order to offer financial products, unless an exclusion or exemption is available (such as for offers to wholesale investors).

• Listing on one of the markets operated by NZX may be undertaken in conjunction with a fundraising offer, generally using the same document.

Making an offer in New Zealand

New Zealand’s securities laws are set out in the Financial Markets Conduct Act 2013, which is enforced by the Financial Markets Authority.

Generally, issuers are required to prepare and register a Product Disclosure Statement or "PDS" before offering financial products in New Zealand. The PDS sets out key information for retail investors about the financial products on offer and has strict content requirements that depend on the type of financial product being offered. For offers of debt securities and managed investment products, external supervisor and licensing obligations also apply.

Outside the heavily regulated Product Disclosure Statement, the advertising regime is flexible and does not place any content restrictions upon advertisements, other than requiring the inclusion of certain disclaimers.

Exclusions and exemptions

There are a number of exclusions under the Financial Markets Conduct Act, including bright line tests that provide clarity as to when New Zealand investors are eligible to be offered financial products without any disclosure documentation, or with limited disclosure – e.g. offers to wholesale investors and dividend reinvestment plans (subject to certain conditions).

Another exclusion is for crowdfunding, which allows issuers to raise up to $2 million in a 12 month period through a crowdfunding offer with reduced disclosure requirements. These offers have to be made through a licensed crowdfunding platform, of which there are a number currently operating.

If an investor wishes to make an offer in New Zealand but is unable to fit within one of the exclusions, it is possible to apply for a bespoke exemption from the New Zealand Financial Markets Authority.

New Zealand and Australia have a mutual recognition regime for the offering of financial products, which enables an offer made in one country to be easily extended to the other country.
Fair dealing and other potential liabilities

The Financial Markets Conduct Act prohibits issuers and others engaging in conduct or making statements that are misleading or deceptive in relation to financial products. This has a broad application, although attracts civil liability only.

Issuers, and their directors, undertaking a regulated fundraising offer are subject to potential criminal liability for serious misconduct and civil liability for less serious misconduct.

Listing

In conjunction with capital raising, an issuer may wish to list on one of the markets operated by NZX (see the Investing in New Zealand’s capital markets section for more details). Generally, the document used for fundraising can also be used for listing purposes. Otherwise, a separate compliance listing document can be prepared.

The process to apply for listing is relatively straightforward, although there are certain timetable requirements that must be borne in mind. The key requirements for issuers seeking listing on the NZX Main Board are to have a spread of at least 500 members of the public holding at least 25% of the securities and an anticipated market capitalisation of at least $5 million.

Those who have an anticipated market capitalisation of less than $50 million can list on the NXT Market if eligible. The spread requirements for the NZX Debt Market are 100 members of the public holding 25% of the issuer’s securities.
Insolvency in New Zealand

Key points

- Whether you are starting a new business in New Zealand, investing in an existing business, or dealing with other New Zealand-based parties – there’s always a risk that an involved party will become insolvent.

- Receiverships, liquidation and voluntary administration are the most commonly used formal insolvency procedures for companies in New Zealand.

- The ability of a creditor to use the various insolvency regimes will depend on the nature of the debt owing, for instance whether it is secured or unsecured. Broadly, New Zealand is a secured creditor friendly jurisdiction.

Liquidation

A liquidator is usually appointed to a company by either its shareholders (usually a 75% majority is needed), or the Court, on the application of a creditor.

The principal duty of a liquidator is to take possession of, protect, realise and distribute company assets (or the proceeds from the sale of those assets) to the company’s creditors. Liquidators in New Zealand have a statutory right to claw back preferential payments made by the company in the two-year period preceding liquidation, or payments at undervalue. The liquidator then distributes those realisations to the creditors.

Employees and the Inland Revenue Department (for some taxes) are paid before unsecured creditors. Liquidation does not prevent secured creditors from exercising their rights over secured assets, although employees and the Inland Revenue Department are paid before general secured creditors from the proceeds of inventory and receivables.

Liquidators’ reports are publicly available through the online Companies Register.

Receiverships

A receiver recovers the company’s assets in order to repay the secured creditor. They have power to manage the company and deal with its assets. A receiver owes only limited duties to other parties, such as unsecured creditors. Typically, receivers are appointed by a creditor with security over all of a company’s assets, although appointments can be over an individual asset. A contractual right to appoint receivers is necessary. Shareholders or directors of a company cannot appoint a receiver, but may ask a secured creditor to appoint a receiver.

Receivers are not agents of the creditors who appointed them. Rather, except in liquidated companies, they are agents of the company. Receivers’ reports are available online.
Voluntary administration

Voluntary administration provides a mechanism for the administration of the business, property and affairs of an insolvent company or a company that may become insolvent in the future. The objective of voluntary administration is to maximise the chances of the company, or as much as possible of its business, continuing in existence or, where that is not possible, to produce a better return for the company’s creditors and shareholders than would result from the immediate liquidation of the company.

Voluntary administration imposes a moratorium period, generally of around five weeks but it can be extended. During this time, the enforcement of charges is prevented as are taking possession of property, court proceedings, enforcement proceedings or the making of demands under a guarantee.

The moratorium gives the voluntary administrator an opportunity to develop a rescue plan which must then be adopted at a meeting of creditors. A majority of creditors is 50% by number and 75% by value (of those voting).

Compromise

In addition to the above formal procedures, it is routine in New Zealand for companies facing difficulties to seek to compromise with their creditors. Those compromises can be informal – i.e. created by a simple contract – or they may be more formal. The Companies Act 1993 has procedures by which all creditors can be bound to a compromise if a majority of creditors vote in favour of it. Again, 50% by number and 75% by value (of those voting) must vote in favour for a majority.

Personal Properties Securities Act 1999 (PPSA)

New Zealand’s PPSA regulates all securities interests in personal property. “Security interests” include traditional securities interests (mortgages, fixed and floating charges, pledges and liens), as well as in-substance security interests (such as conditional sale agreements, retention of title provisions and leases of 12 months or more).

A key feature of the PPSA is that its application is not affected by a secured party having title to the security collateral. A debtor with rights in personal property can grant a security interest in that property even though it has no title to the property (such as where the property is subject to a retention of title clause or held under a lease).

The PPSA determines the priority of any security interest taken over personal property. In general, a perfected security interest has priority over an unperfected security interest. Perfection is usually achieved by registration on the Personal Property Securities Register (an online register). Priority between perfected security interests is determined by which secured party is first to either register, or take possession of the collateral. There are important exceptions to the order of priority, however.

Failure to register a security does not invalidate that security, but it may prejudice its priority position.

Personal insolvency – bankruptcy

Bankruptcy proceedings are governed by the Insolvency Act 2006. Bankruptcy affects an individual’s legal status. Its consequences include; vesting the bankrupt’s property in the Official Assignee, the bankrupt being limited in the business activities he or she can undertake and the Official Assignee being entitled to recover assets that the bankrupt has transferred before the bankruptcy. A corporation, association or company incorporated or registered under any Act may not be adjudicated bankrupt.

Regulation of insolvency practitioners

At present, New Zealand has no regulation of insolvency practitioners. Reform is underway, but is lagging. The Insolvency Practitioners Bill was introduced to Parliament in 2010.
**Resolving disputes in New Zealand**

**Key points**
- New Zealand has a common law system and an independent judiciary.
- New Zealand has a hierarchy of courts running from the District Court to the High Court, the Court of Appeal and the Supreme Court.
- Civil disputes are often solved by negotiation or mediation between the parties.

**Legal system**

New Zealand’s common law system is similar to that in England and has familiarity with most international legal structures – especially in the finance and corporate law areas. New Zealand has a single legal profession in which most members hold a practising certificate as barrister and solicitor.

Judges are appointed by the Governor-General on the advice of the Attorney-General and have a strong tradition of judicial independence. Their appointments are open-ended.

**Hierarchy of courts**

The District Court is the court of first instance for most criminal prosecutions and many civil cases. In criminal cases, whether the District Court has jurisdiction often depends upon the nature and seriousness of the alleged offence. In civil cases, the District Court will have jurisdiction if the amount in dispute is NZ$200,000 or less. Above that amount, the claim must be advanced in the High Court. The High Court also has exclusive jurisdiction in certain matters as directed by statute, e.g. under the Companies Act 1993.

There is generally one right of appeal – from the District Court to the High Court or from the High Court to the Court of Appeal. Second appeals require the leave of either the court appealed from or the court appealed to. All appeals to the Supreme Court require the leave of that court.

The Supreme Court does not entertain appeals for the sole purpose of error correction, and will generally not grant leave unless the appeal involves:
- a matter of general or public importance
- a substantial miscarriage of justice, or
- matters of general commercial significance.

The Court of Appeal is therefore the final appellate court for most cases.

Outside the general court structure are a range of specialist courts and tribunals. These include the Employment Relations Authority and the Employment Court, the Environment Court and the Taxation Review Authority.
In New Zealand, Prosecution Guidelines do not permit a prosecutor to initiate or to invite a "plea bargain" in any criminal proceeding. However, it is permissible for a defendant to propose an arrangement under which a guilty plea will be entered either to some existing or amended charges, on the basis that other charges will be withdrawn or reduced.

Alternative dispute resolution for civil disputes

Civil disputes are often resolved by negotiation directly between the parties or by mediation. Such resolution may occur at any time, whether before or after judgment in any proceeding, but most often resolution occurs before trial (or, in some cases, shortly after a trial has begun).

It is a requirement for many civil proceedings in the District Court that the parties first attend a judicial settlement conference before a trial is allocated.

Civil disputes may also be resolved by private arbitration, pursuant to the Arbitration Act 1996 (which is based on the Model Law on International Commercial Arbitration adopted by the United Nations Commission on International Trade Law). Some contracts provide for arbitration in the event of a dispute, but parties may also agree to arbitrate after a dispute has arisen.

International dispute resolution

New Zealand is a strong advocate for free trade and is a signatory to a number of trade and investment treaties. Many of those agreements include investor-state dispute settlement mechanisms, including the recently-completed Trans-Pacific Partnership Agreement.

Chapman Tripp advises on all aspects of international trade and investment agreements, including resolving disputes through the architecture provided by those agreements.

In the private sphere, companies increasingly prefer international commercial arbitration as the mechanism to resolve contractual disputes. Chapman Tripp can assist in drafting arbitration clauses and regularly acts in international commercial arbitrations.
New Zealand has a reasonably open door immigration policy, particularly for skilled migrants and for entrepreneurs with the resources and capital to contribute to the economy by setting up a business in New Zealand.

**Visas**

If you are not a New Zealand or an Australian national, you will need a visa to work in New Zealand unless you are on a short visa for business meetings only.

Visa types include:

- Work Visa (temporary)
- Work to Residence Visa
- Study to Work Visa
- Visitor Visa (Business or Tourist)
- Highly Skilled Visa (Silver Fern)
- Entrepreneur Work Visa (Business)
- Residence Visa
- Working Holiday Visa
- Student Visa

Applicants for any visa must be of good character, have an acceptable standard of health and hold a valid passport which expires later than three months after your proposed date of departure.

**New Zealand residence**

The main paths to New Zealand residence are through the following categories:

- Skilled Migrant
- Work to Residence
- Investor
- Entrepreneur, and
- Family.

**Citizenship**

To qualify for citizenship, the applicant must have been resident for at least five years, be free of any convictions and have been present in New Zealand for at least:

- 1,350 days during the five years immediately preceding the application, and
- 240 days in each of these five years.

For more information go to the Immigration New Zealand website at: [www.immigration.govt.nz](http://www.immigration.govt.nz)

**SELECTED OFFERS**

- [Bank One](http://www.bankone.com)
- [Investment Corp](http://www.investmentcorp.com)
- [Global Trust](http://www.globaltrust.com)
- [Online Savings](http://www.onlinesavings.com)
- [Insurance World](http://www.insuranceworld.com)
- [Real Estate Corp](http://www.realestatcorp.com)

**SELECTED ARTICLES**

- [How to Invest in Real Estate](http://www.realinvestor.com/how-to-invest-in-real-estate)
- [The Art of Investing in Stocks](http://www.stockinvestor.com/art-of-investing-in-stocks)
- [The Do's and Don'ts of Investing in Mutual Funds](http://www.mutualfunds.com/do-s-and-donts-of-investing-in-mutual-funds)
- [The Basics of Investing in Bonds](http://www.bondinvestor.com/basics-of-investing-in-bonds)
- [The Importance of Diversification in Your Portfolio](http://www.diversification.com/importance-of-diversification-in-your-portfolio)

**SELECTED WEBSITES**

- [Investor Education Marketplace](http://www.investor-ed.com)
- [Investment News](http://www.investment-news.com)
- [Stock Watch](http://www.stock-watch.com)
- [Mutual Fund Performance](http://www.mutual-fund-performance.com)
- [Financial Planning](http://www.financial-planning.com)
- [Retirement Planning](http://www.retirement-planning.com)
- [Wealth Management](http://www.wealth-management.com)
- [Online Brokerage](http://www.online-brokerage.com)
- [E-Commerce](http://www.ecommerce.com)
- [Technology News](http://www.technology-news.com)
- [Economic Trends](http://www.economic-trends.com)
- [Market Analysis](http://www.market-analysis.com)
- [Economic News](http://www.economic-news.com)
- [Business News](http://www.business-news.com)
- [Investment News](http://www.investment-news.com)