

KEY FACTS
THE BASICS

- In April 2011 New Zealand introduced an elective “look through” regime for limited liability companies.
- The regime is designated “look through” because the company is “looked through” for income tax purposes to the shareholders.
- Without an election to be treated as a Look Through Company (“LTC”), New Zealand companies are subject to the provisions of the Income Tax Act 1994, and if resident are subject to tax on their worldwide income, and if non-resident are subject to tax on New Zealand-sourced income.
- Once an LTC election has been made the company’s income, expenses, tax credits, rebates, gains and losses are attributable to the shareholders in proportion to their shareholding. These may be used by each shareholder when calculating their income tax liability in their country of tax residence. No resident or non-resident withholding tax applies.
- New Zealand LTCs are a popular choice for international businesses, investors and wealth planners due to the intrinsic tax benefits and protection of this entity.
- LTCs offer a tax advantage that is unique among OECD nations with no other mainstream (“on-shore”) options viably offering the same tax benefits for a company.

KEY FEATURES

- It retains the status of limited liability.
- It is a tax transparent entity.
- It may hold property of any kind in any location and receive any form of income.
- It must prepare annual accounts which usually do not have to be audited or publicly registered.
- It must file tax returns annually.

FORMATION & FILING

- The formation of a company in New Zealand is straightforward and reflects the modern corporate code which New Zealand adopted in 1991.
- Once all the necessary information and original documentation is in New Zealand, the company can be formed in 24 hours.
- The company then applies to the Inland Revenue Department to be treated under the LTC regime instead of the usual tax regime.

KEY FACTS

Once the Commissioner of Inland Revenue grants the election the company becomes an LTC. The salient features of an LTC regime which will be of interest to clients include:

- An LTC must have at least one natural person, New Zealand-resident* director (but may also have other natural person, non-resident directors) and one share.
- There is no capital requirement although the shares are denominated according to a monetary value. The minimum value for a share is NZD1.
- No need for a Memorandum of Association as the LTC is deemed to have all the powers of a natural person.
- No need for Articles of Association; if required a standard form constitution regulating the administration of the LTC may be used.
- The LTC may only have five or fewer shareholders during each tax year that the LTC is part of the LTC regime.
- Shareholders may only be non-resident individuals, a trustee for a non-resident trust, another LTC or a resident company acting in a trustee or nominee capacity for a non-resident individual.
- All shares issued must be of the same class and carry the same rights and obligations for each shareholder.
- The following information (and supporting documentation) must be filed with the Registrar of Companies (the Registrar) to form an LTC. All information provided is available on the public register:
 - Proposed LTC name (subject to approval by the Registrar)
 - Full name and residential address for the directors
 - Date and place of birth of all directors (this is not part of the public record)
 - Full name and residential address for the shareholders
 - Details of any Ultimate Holding Company

ANNUAL RETURNS

An annual return must be electronically submitted by an authorised person of the LTC once a year. The annual return includes:

- Date the annual return was filed
- Details of the LTC's registered address for service
- The names, residential addresses and date of appointment of the directors
- Date and place of birth of all directors (this is not part of the public record)
- The names, residential addresses and shareholding of the shareholders

FINANCIAL AND TAXATION BALANCE DATE

- The default accounting balance date for all companies is 31 March, but may be changed by the directors.
- A company must have a balance date within each calendar year, with the exception of the years of its incorporation and removal from the Register.
- In the event that the company's first or last balance date is not within the same year, accounts may be prepared for a period not exceeding 15 months.
- The default taxation balance date of 31 March may not be changed but part-year first and final tax returns are allowable.

**Or who is resident in and a director of a company incorporated in Australia.*

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FINANCIAL STATEMENTS

- From 1 April 2014 only "large"* LTCs must prepare GAAP financial statements and these must be audited (and publicly filed) *unless* 95% of the shareholders opt out of the audit requirement. These GAAP financial statements must be available at the registered office of the LTC within five months of balance date.
- From 1 April 2014 small to medium LTCs are required to maintain basic financial reporting only at their registered office. These must include balance sheet, profit and loss statement, statement of applicable financial policies and comparison figures.
- The director(s) of the LTC is responsible for ensuring that the financial reportings of the LTC are prepared. Where Trident Trust New Zealand is providing director services for large LTCs we will require that professional accountants are appointed to prepare the financial statements and we will arrange for the audit opt out resolutions. Where director services are provided to small-medium LTCs we will require that we be engaged to prepare and maintain the more basic financial reporting.
- If no audit is opted for, no public filing is required for either GAAP financial statements or informal financial reporting.

TAXATION

An election to be treated as an LTC may be made on incorporation or, if an existing company wishes to elect, before the start of the first year in which it will be treated as an LTC, i.e., before 31 March of the preceding tax year.

To ensure no New Zealand tax liability applies to the shareholders, a LTC must meet the following requirements:

- The shares are correctly owned (see requirements in the Formation & Filing section);
- All LTC income is derived outside New Zealand. (A trustee shareholder may then distribute that income tax free to the trust's beneficiaries.)

**As at March 2015, for an LTC which may only have non-resident shareholders, "large" is defined as having assets in excess of NZD20 million or total revenue in excess of NZD10 million.*

Please contact any Trident Trust office worldwide for further information about our services and fees. Office contact details are included on the following page.

Trident Trust Company (NZ) Ltd
 Level 3, 18 Stanley Street, Auckland 1010
 PO Box 137069, Auckland 1151
 New Zealand
 Tel +64-9-300-6067
 Fax +64-9-366-1482
 nz@tridenttrust.com

EUROPE
GUERNSEY

Trident Trust Company (Guernsey) Ltd
 Tel +44-1481-727571
 Fax +44-1481-723162
 guernsey@tridenttrust.com

ISLE OF MAN

Trident Trust Company (IOM) Ltd
 Tel +44-1624-646700
 Fax +44-1624-620588
 iom@tridenttrust.com

JERSEY

Trident Trust Company Ltd
 Tel +44-1534-733401
 Fax +44-1534-727195
 jersey@tridenttrust.com

LUXEMBOURG

Trident Trust Company (Luxembourg) S.A.
 Tel +352-95-05-74-74
 Fax +352-95-91-11
 luxembourg@tridenttrust.com

MALTA

Trident Trust Company (Malta) Ltd
 Tel +356 21 434 525
 Fax +356 21 434 595
 malta@tridenttrust.com

SWITZERLAND

Zurich
Trident Corporate Services AG
 Tel +41-44-396 1080
 Fax +41-44-396 1081
 switzerland@tridenttrust.com

Geneva

Integritas Trust S.A.
 Tel +41-22-715-2760
 Fax +41-22-732-3674
 switzerland@integritastrust.com
 www.integritastrust.com

UNITED KINGDOM

Trident Trust Company (UK) Ltd
 Tel +44-20-7935-1503
 Fax +44-20-7935-7242
 uk@tridenttrust.com

Trident Company Services (UK) Ltd

Tel +44-20-7487-0460
 Fax +44-20-7487-0461
 corpsservices@tridenttrust.com

THE AMERICAS / CARIBBEAN
BAHAMAS

Trident Corporate Services (Bahamas) Ltd
 Tel +1-242-322-6154
 Fax +1-242-328-1064
 bahamas@tridenttrust.com

Integritas Trust Company Ltd

Tel +1-242-322-2200
 Fax +1-242-322-2030
 bahamas@integritastrust.com
 www.integritastrust.com

BARBADOS

Trident Corporate Services (Barbados) Ltd
 Tel +1-246-431-0760
 Fax +1-246-431-0591
 barbados@tridenttrust.com

BRITISH VIRGIN ISLANDS

Trident Trust Company (BVI) Ltd
 Tel +1-284-494-2434
 Fax +1-284-494-3754
 bvi@tridenttrust.com

CAYMAN ISLANDS

Trident Trust Company (Cayman) Ltd
 Tel +1-345-949-0880
 Fax +1-345-949-0881
 cayman@tridenttrust.com

NEVIS

Meridian Trust Company Ltd
 Tel +1-869-469-1333
 Fax +1-869-469-0968
 nevis@tridenttrust.com

PANAMA

Trident Trust (Panama) S.A.
 Tel +507-302-7494
 Fax +507-302-7497
 panama@tridenttrust.com

UNITED STATES

New York
Trident Corporate Services, Inc
 Tel +1-212-840-8280
 Fax +1-212-944-5923
 nyc@tridenttrust.com

Atlanta

Trident Corporate Services, Inc
 Tel +1-404-233-5275
 Fax +1-404-233-9629
 usa@tridenttrust.com

Sioux Falls

Trident Trust Company (South Dakota) Inc
 Tel +1-605-679-4355
 Fax +1-605-679-4357
 sd@tridenttrust.com

Miami

Integritas, Inc
 Tel +1-305-405-9006
 Fax +1-305-416-3143
 usa@integritastrust.com
 www.integritastrust.com

US VIRGIN ISLANDS

Trident Trust Company (VI) Ltd
 Tel +1-340-774-7322
 Fax +1-340-776-0651
 usvi@tridenttrust.com

ASIA / PACIFIC
HONG KONG

Trident Corporate Services (Asia) Ltd
 and **Trident Trust Company (HK) Ltd**
 Tel +852-2805-2000
 Fax +852-2850-4090
 hongkong@tridenttrust.com

NEW ZEALAND

Trident Trust Company (NZ) Ltd
 Tel +64-9-300-6067
 Fax +64-9-366-1482
 nz@tridenttrust.com

Integritas New Zealand Ltd

Tel +64-9-300-6067
 Fax +64-9-366-1482
 nz@integritastrust.com
 www.integritastrust.com

SINGAPORE

Trident Trust Company (Singapore) Pte Ltd
 Tel +65-6304 3288
 Fax +65-6491 1231
 singapore@tridenttrust.com

MIDDLE EAST / AFRICA
CYPRUS

Trident Trust Company (Cyprus) Ltd
 Tel +357-258-20-650
 Fax +357-253-61-857
 cyprus@tridenttrust.com

Trident Fiduciaries (Middle East) Ltd

Tel +357-253-53-520
 Fax +357-258-18-808
 fiduciariesme@tridenttrust.com

DUBAI

Trident Trust Company (UAE) Ltd
 Tel +971-4-423-9988
 Fax +971-4-450-4411
 dubai@tridenttrust.com

MAURITIUS

Trident Trust Company (Mauritius) Ltd
 Tel +230-210-9770
 Fax +230-210-1266
 mauritius@tridenttrust.com

SEYCHELLES

Trident Trust Company (Seychelles) Ltd
 Tel +248-4-422-000
 Fax +248-4-422-010
 seychelles@tridenttrust.com