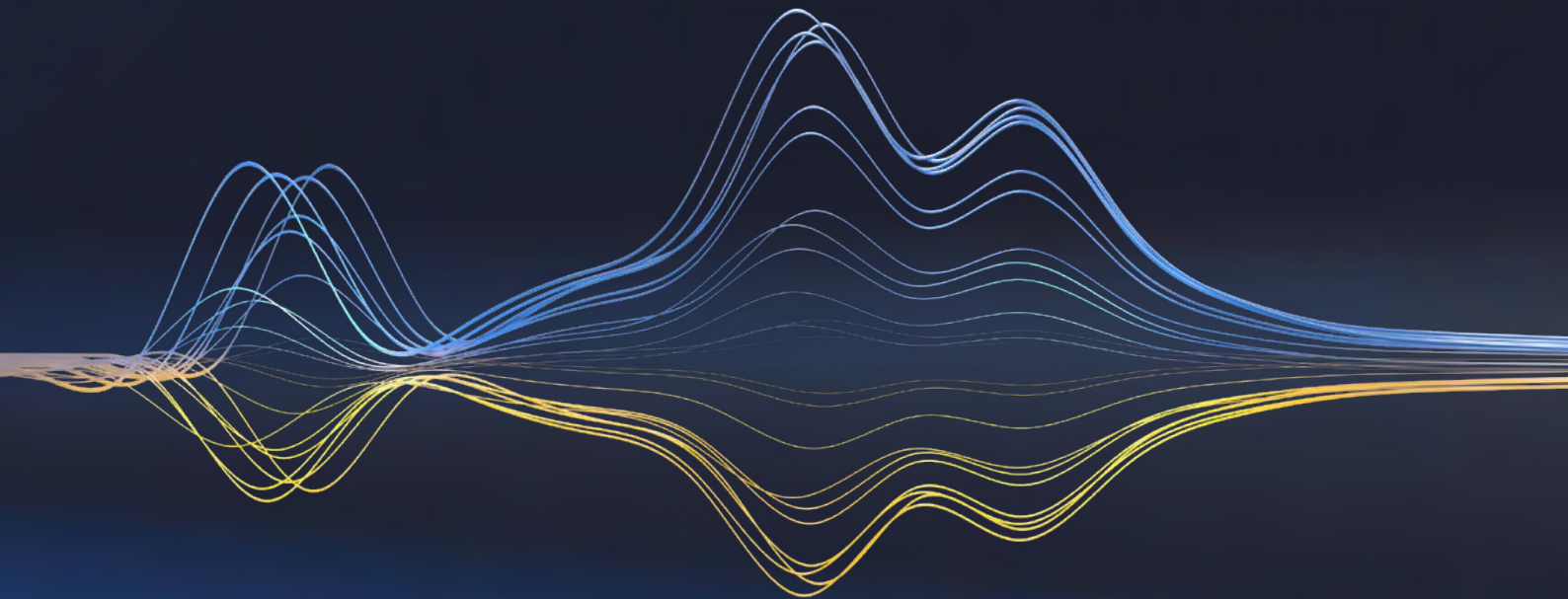


GUIDE TO DOING BUSINESS IN

New Zealand



A GUIDE TO HELP THOSE VENTURING INTO THE
NEW ZEALAND MARKET 2020

Table of Contents

Guide To Doing Business In New Zealand	07
New Zealand – The Basics	08
Location.....	08
Geography.....	08
Climate.....	08
Population	08
Capital.....	08
Largest city	08
Official Languages	08
Currency.....	08
Economy	08
Time.....	08
Business Hours	08
Public Holidays	08
Government	08
Legal System	08
International Dialling Code	08
Regulation of Business	09
Anti-Competitive Practices.....	09
Consumer Protection and Fair Trading	09
Credit Related Regulation	09
Protecting Debtors	09
Protecting Creditors	10
Privacy and Data Protection	10
KEY CONTACTS	11

Business Structures And Support Service 12

Business Structures.....	12
Companies Office.....	12
Companies.....	12
Branches of Foreign Companies	13
Partnerships.....	13
Requirements of a Limited Partnership.....	13
Joint Ventures.....	13
Trusts	14
Sole Trader.....	14
Other Structures	14
Support Services for Businesses	14
KEY CONTACTS	14

Land..... 15

Title to Land.....	15
'The RMA'	15
Planning Laws and Land Use	15
Subdivision of Land	15
Seeking Resource Consents or Plan Changes.....	16
Contracts to Buy and Sell Land	16
Māori Land and Land Claims.....	16
KEY CONTACTS.....	17

Labour Relations And Employment 18

Labour Relations	18
Holidays and Leave Entitlements	18
Health and Safety.....	19
Anti-Discrimination	19
The ACC Scheme	19
KiwiSaver	19
Employment Related Taxes and the PAYE System	19
KEY CONTACTS.....	20

Inbound Investment – The ‘Overseas Investment Regime’ 21

Foreign Investment Policy.....	21
Regulatory framework	21
Investment in significant business assets.....	21
Investment in sensitive land.....	21
Thinking of investing?	22
KEY CONTACTS.....	23

Tax 24

Tax in New Zealand.....	24
Income Tax	24
Goods and Services Tax (GST).....	26
Withholding Obligations and Other Tax Collection Methods	26
Duties.....	26
KEY CONTACTS.....	27

Legal System And Dispute Resolution 28

Hierarchy of Courts.....	28
Mediation and Arbitration.....	28
KEY CONTACTS.....	28

Securities Markets 29

Offers of Securities	29
New Zealand's Capital Markets and the NZX	29
NZX Main Board	29
NZX Alternative Market.....	29
NZX Debt Market.....	29
NZX NXT Market	29
Regulation of Trading.....	29
Takeovers	30
Derivatives of Trading	30
Unlisted Securities	30
KEY CONTACTS.....	30

Financial Services and Funds Management 31

Overhaul of New Zealand's Securities Laws.....	31
Related Law Reform	31
The Financial Service Providers Act 2008 (FSPA).....	31
The Financial Advisers Act 2008 (FAA)	31
The Financial Markets Supervisors Act 2011 (FMSA).....	32
The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT)	32
Local Adoption of Foreign Legislation.....	32
A new Trusts Act for New Zealand.....	33
Engaged regulators.....	33
International Monetary Fund (IMF).....	33
KEY CONTACTS	33

Insurance 34

Prudential Supervision of Insurance Companies.....	34
Financial Regulation of Insurance Companies and Insurance Intermediaries	34
Insurance Law Reform Acts 1977 and 1985	34
KEY CONTACTS.....	35

Primary Production..... 36

Primary Production in New Zealand	36
Agriculture	36
Dairy	36
Meat and Wool.....	37
Aquaculture and Fisheries	37
Horticulture and Viticulture	37
Silviculture.....	38
KEY CONTACTS.....	38

Infrastructure 39

General procurement processes and planning	39
Transport.....	39
Water and wastewater	39
Utilities.....	39
Hospitals, schools and other significant buildings.....	41
Other relevant legislation.....	41
KEY CONTACTS.....	41





Guide To Doing Business In New Zealand

New Zealand offers one of the most business-friendly environments in the world for foreign investors and multinationals.

Our economy comprises diverse sectors, including both traditional and non-traditional forms of industries. The agricultural, horticultural, forestry, mining and fishing industries play a fundamentally important role in New Zealand's economy, both in terms of export earnings and in terms of providing employment. Tourism, financial services and technology based businesses are rapidly developing sectors of the economy.

New Zealand's increasingly diverse economy and skilled workforce make it fertile ground for companies wishing to expand their business in the Asia Pacific region. There are substantial opportunities and support services available for those looking to base their Asia Pacific headquarters in New Zealand, to invest in existing businesses, establish new operations or undertake projects in New Zealand across all sectors of the economy.

The regulatory hurdles in the way of businesses operating in New Zealand are relatively low by international standards but foreign investors should be aware of them.

This Guide is designed to help those venturing into the New Zealand market navigate their way through local legislation to identify and maximise the many opportunities that are available.

DLA Piper is the first global, business law firm operating in New Zealand. Across every major sector and specialist practice, we provide innovative, commercially astute advice to organisations and businesses already operating in, or considering entry into, the New Zealand market.

The content of this Guide is regularly updated. Last updated: December 2020.

New Zealand - The Basics

The following are some basic facts* about New Zealand (NZ) or, to use its Māori name, Aotearoa.

Location

New Zealand lies in the Southern Pacific Ocean between 34-46°S and 168-175°E (or about 1,600km east of Australia).

Geography

New Zealand comprises numerous islands (the North Island and the South Island are the largest) which have a combined land area of approximately 269,000 square km, meaning it is about the same size as the United Kingdom, the Philippines or the state of Colorado.

Climate

Maritime/temperate (although the upper North Island is sub-tropical).

Population

4.596 Million people, of whom live in the North Island.

Capital

Wellington (situated at the southern tip of the North Island).

Largest city

Auckland (situated in the upper half of the North Island).

Official Languages

English, Māori, New Zealand sign language.

Currency

New Zealand dollar (NZ\$), which is freely traded and has a floating exchange rate.

Economy

Mixed open economy that operates on free market principles. GDP for 2014 was NZ\$250 billion (March 2016).

Time

New Zealand Standard Time is 12 hours ahead of Greenwich Mean Time (GMT). During New Zealand 'daylight savings' time (adopted in the southern hemisphere spring and summer) it is 13 hours ahead of GMT.

Business Hours

Mondays – Fridays 8.30am – 5pm for most banks, government departments, and service businesses. Most retailers are open 7 days a week.

Public Holidays

11 per year, being:

- 1 – 2 January – New Year
- 6 February – Waitangi Day Good Friday and Easter Monday
- 25 April – Anzac Day

- 1st Monday in June – Queen's Birthday
- 4th Monday In October –Labour Day
- 25 – 26 December – Christmas and Boxing Day

The provincial anniversary day is a public holiday only in that province – The dates vary between the provinces. If a public holiday falls on a weekend it is 'Mondayised'.

Government

Constitutional monarchy with parliamentary democracy

(Using a mixed member proportional representation election method).

Legal System

Common law based on a Westminster system.

International Dialling Code

+64

** Unless otherwise specified, statistics used in this guide are Sourced From Statistics New Zealand.*

Regulation of Business

This section of the guide comments on the regulation of business in New Zealand. There are a number of statutes which apply to regulate the conduct of business generally, as well as a number that are industry or activity specific.

Those statutes of more general application are noted below. Sector specific regulation may be noted under the relevant sector.

Anti-Competitive Practices

The commerce act 1986 promotes competition in New Zealand markets and seeks to eliminate restrictive trade practices. That act generally prohibits:

- Price-fixing between competitors;
- Entering into arrangements
- or understandings with a purpose, effect or likelihood
- of substantially lessening competition in a market;
- Resale price maintenance by suppliers;
- Taking advantage of market power to restrict entry to (or deter or eliminate competition in) a market; and
- The acquisition of business (or shares) if it would (likely) have the effect of substantially lessening competition in a market.

Limited exemptions exist in the act, one of the more notable being that joint purchasing arrangements are excluded from the price-fixing prohibition. There is also a limited joint venture exemption from this prohibition.

The act also deals with the regulation of certain natural monopolies, for example electricity distribution networks.

The commerce commission, which administers the act, has strong investigative powers, and frequently takes enforcement action. Penalties for breaching the act are significant and claims by third parties for damages are permitted under the act. Legislation to create a new class of 'cartel provisions' in contracts, arrangements or understandings and criminalise so called 'hard core cartel' conduct is presently before parliament.

Consumer Protection and Fair Trading

The fair trading act 1986 prohibits trading in a misleading or deceptive manner or in a way that is likely to mislead or deceive. Examples of such conduct include: bait advertising; pyramid selling schemes; false application of trade marks; misleading representations; and, accepting payment with no intention to supply. It also prohibits unsubstantiated representations, has an 'unfair contracts regime' that applies to consumer standard form contracts and regulates extended warranty products. The act applies to business-to-business dealings as well as business-to-consumer dealings. It is possible to contract out of certain provisions of the act where all parties are in trade and, among other things, it is fair and reasonable in the circumstances.

The act also deals with product safety of services and consumer information standards.

The commerce commission administers the fair trading act. It contains both civil and criminal penalties and the Courts have a wide discretion in respect of the remedies available for breaches of the act. Aspects of the act can be enforced by private action.


The consumer guarantees act 1993 provides that certain guarantees apply to goods and services of a type ordinarily supplied to consumers (e.g. Fitness for purpose) and provides rights of redress against suppliers, manufacturers and others if the consumer goods or services fail to comply with those guarantees. Among other things, the act does not apply to goods acquired for the purpose of resale and parties in trade involving consumer goods are permitted to contract out of the act. The sale of goods act 1908 (and its replacement, the contract and commercial law act) applies to all sales of goods and also provides protections for those acquiring goods (although it is common for parties to contract out of that act).

Credit Related Regulation

Credit related regulation falls into two areas, legislation designed to protect those incurring debt and legislation designed to protect the rights of creditors.

Protecting Debtors

The main protections for those incurring debt come from the Credit Contracts and Consumer Finance Act 2003, which applies to all 'credit contracts' (being any contract under which credit is provided). However, as the bulk of the provisions only



apply to 'consumer credit contracts' (being credit contracts entered in to by individuals for personal/domestic purposes), its main impact on business-to-business transactions is to prevent oppression. The Act imposes a number of restrictions and obligations on creditors under consumer credit contracts, in particular, restrictions on the level of establishment, default and early termination fees that can be charged, and, numerous disclosure obligations.

Failure to comply with the requirements of the Act attracts severe penalties. The Court has the power to reopen and amend the terms of a credit contract, or any security interest taken in connection with it, if the contract or security interest contains a term that is 'oppressive' (or if any party to the contract or security interest intends to exercise, or does exercise, any right in an oppressive manner). The Commerce Commission has a role in enforcing this Act.

On 6 June 2015, the Credit Contracts and Consumer Finance Amendment Act 2014 came into effect. Its main purpose was to reform the Credit Contracts and Consumer Finance Act 2003 by introducing a Responsible Lending Code through lender responsibility principles, requiring creditors to responsibly manage credit contracts in order to protect vulnerable consumers.

Protecting Creditors

The main protections for creditors come from the ability to register security (over collateral for loans) and from insolvency legislation. Security over real property (land) is obtained by registering a mortgage (see Land), whereas security interests over (most types of) personal property (not land) are established pursuant to the Personal Property Securities Act 1999 (**PPSA**).

The PPSA sets out a prescriptive regime for the creation, enforceability and priority of security interests. A 'security interest' is an interest created or provided for by a transaction that in substance secures payment or performance of an obligation, regardless of both the form of the transaction and who has title to the property. It also deems certain transactions (such as leases or bailments of goods for a term of more than a year) to be security interests.

To protect a secured party's priority to personal property against claims from other parties, the security interest must 'attach' to the personal property and the secured party must 'perfect' its security interest. What is required to 'attach' and 'perfect' a security interest may vary according to the nature of the personal property. Generally, priority between competing security interests is determined by order in which they were perfected.

Protection for the creditors of companies arises from the Companies Act 1993. In addition to requiring directors to certify as to the solvency of a company before entering into certain transactions, it also sets out a range of recovery actions that can be taken in the event of insolvency (such as voiding transactions in some scenarios). Protection for the creditors of individuals arises from the Insolvency Act 2006. This also provides for a range of recovery actions (such as the recovery of certain gifts made within five years prior to the bankruptcy).

Privacy and Data Protection

The Privacy Act 1993 applies to an 'agency' and governs how it collects, stores, uses, discloses and gives access to 'personal information'. 'Personal information' is information about a natural person. 'Agency' is widely defined and includes any person or body of persons (whether incorporated or not), subject to specific exclusions (such as Ministers of Parliament and the news reporting activities of the media). Consequently, a business will have privacy obligations in relation to personal information held about its employees, and any natural person such as customers, suppliers, contractors and others.

The Act contains 12 privacy principles and in addition to stating

how and for what purpose personal information may be collected, stored, used and disclosed, it also gives individuals the right to be told what personal information is held about them and the right to get any errors in that information corrected.

Under the Act, the Privacy Commissioner has the power to issue Codes of Practice. Currently, there are codes specific to telecommunications, health, superannuation, credit reporting, the justice sector, and civil defence national emergencies.

There is no equivalent legislation dealing with information about companies or other legal, non-natural, persons. For information on business regulation visit Commerce Commission and contact Mark Williamson or the partner listed in the industry-specific section relevant to your situation.

Key Contacts



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Business Structures And Support Services

This section of the guide explains how businesses in New Zealand operate, whether company, partnership, joint venture, trust or sole trader. It also outlines the support services for New Zealand businesses.

Business Structures

Businesses in New Zealand are usually operated by an individual as a sole trader or through one of the following structures:

- company, either a New Zealand incorporated company or a branch of a foreign company;
- partnership, either ordinary or limited;
- joint venture; or
- trust.

The choice of structure will impact the extent to which the information about it will be publically available. Regardless of the structure, all New Zealand businesses must have a tax file number (commonly called an IRD number) and must maintain proper books and records for tax purposes. Depending upon the structure chosen and the nature of the business undertaken, additional registration requirements may apply and additional records may need to be kept.

Companies Office

The New Zealand Companies Office (part of the Ministry of Business, Innovation and Employment) keeps most of the registers related to businesses. It maintains registers of companies, of limited partnerships, of incorporated societies, of issuers, etc. Most of the information on these registers is publically searchable online. On-going filing

requirements will apply to entities registered on any one of these registers.

Companies

Companies are the most common business structure utilised in New Zealand. Companies in New Zealand must comply with the Companies Act 1993. Under this Act:

- A company must have a minimum of one director (who must be a natural person who is not disqualified under the Act) and one shareholder (which can be a legal person, such as a company or incorporated society, or a natural person). The same person can be both director and shareholder.;
- Every New Zealand incorporated company needs to have at least one director who is either a New Zealand resident or lives in an enforcement country and is a director of a company registered in that enforcement country (currently only Australia is a prescribed 'enforcement country').
- A company must have a registered office in New Zealand but a physical place of business in New Zealand is not required. The office of a chartered accountant or lawyer often serves as the registered office of a company.
- A constitution is not required. However, most companies adopt a constitution as this enables

them to take advantage of certain provisions in the Act (which only apply if the constitution permits) and overrides certain default provisions.

- Companies have the powers of a natural person, unless they choose to limit these.
- The liability of shareholders may be either limited or unlimited. The majority of companies have shareholder liability limited to any amount unpaid on a share held by each shareholder (if any). Shares are issued at fair value (which changes depending upon the company's performance) as opposed to a par value. A company may have different classes of shares.
- Certain steps must be followed by a company when undertaking certain activities. Some activities (such as making a distribution to shareholders or giving financial assistance to acquire shares) require specific resolutions to be passed and certificates given by directors and a solvency test to be met. Some activities (such as a 'major transaction', being an acquisition or disposal valued at more than half the company's assets before that transaction) require a 'special resolution' (in essence, 75% shareholder approval or higher majority if prescribed by the company's constitution).
- A company must maintain specific records (including a share register and minute book) and file an annual return with the Companies Office, which, amongst other things, confirms the details of its directors, shareholders and registered office.

- 'Large' companies are required by the Financial Reporting Act 2013 to be audited subject to limited exceptions.

Whether or not a company has to file its financial statements with the Companies Office is determined by the Financial Reporting Act 2013 and the Companies Act 1993. Audited financial statements need to be filed with the Companies Office by every 'large' company in which the shares that in aggregate carry the right to exercise 25% or more of the voting power at a meeting of the company are held by:

- a subsidiary of a company incorporated outside New Zealand;
- a body corporate incorporated outside New Zealand; or
- a person not ordinarily resident outside New Zealand.

Branches of Foreign Companies

Overseas companies that are 'carrying on business' in New Zealand must register as an overseas company with the Companies Office. The term 'carrying on business' is not comprehensively defined for this purpose, although it would capture having employees in New Zealand, having an office or premises in New Zealand or, regularly transacting business in New Zealand.

Registering as an overseas company entails filing certified copies of its foreign incorporation certificate and constitutional documents (with English translations if necessary), details of its directors and the name of a person in New Zealand who is authorised to accept process notice on its behalf. Once registered, it will have on-going filing requirements with the Companies Office, including filing annual returns. 'Large'

overseas companies will have to file audited financial statements for the New Zealand branch and for the overseas company.

Partnerships

The main statutes governing partnerships in New Zealand are the Partnerships Act 1908 and the Limited Partnerships Act 2008.

In an ordinary partnership, the partners are jointly and severally liable for the obligations of the partnership. Although partnerships can be based on an oral agreement, the majority will have a written partnership agreement to govern the relationship of the partners. There is no register of ordinary partnerships. Ordinary partnerships are not required to file financial information with the Companies Office.

Requirements of a Limited Partnership

A limited partnership has a legal personality separate from that of its partners. A limited partnership must have:

1. A general partner who is responsible for conducting the partnership's business and who is personally liable for its obligations in the event that the partnership cannot meet these. The general partner must fit one of the following descriptions:

- A natural person, who lives in New Zealand or an enforcement country (Australia is currently the only prescribed enforcement country). If the director lives in an enforcement country, they must also be a director of a company registered in that enforcement country.
- A limited partnership that has one or more general partners

who are natural persons living in New Zealand or an enforcement country.

- A partnership governed by the Partnership Act 1908 and that has one or more partners who live in New Zealand or an enforcement country.
- A New Zealand registered company under the Companies Act 1993.

An overseas company registered under the Companies Act and that has one or more directors who are natural persons living in New Zealand or an enforcement country.

2. At least one limited partner, distinct from the general partner, who may contribute capital but does not take part in the management of the partnership's business. Provided that the limited partner's involvement in the partnership does not exceed certain thresholds, the limited partner is not liable for the partnership's obligations beyond the amount of the capital contributed.

The Companies Office maintains a register of limited partnerships. This discloses details of the general partner but not of the limited partners.

Joint Ventures

Joint ventures are typically entered into by two or more business entities for a limited time to carry out a specific project. The relationship between the participants in a joint venture usually is set out in a contract between them. Unincorporated joint ventures are not recognised as separate legal entities (and often what the participants call an unincorporated joint venture in fact is a partnership). If the joint venture is incorporated, then the laws applicable to

that body corporate (usually an incorporated company) will apply.

Trusts

Some businesses in New Zealand (particularly land-owning businesses) are run by the trustees of a trust, the beneficiaries of which are usually discretionary and include the family members of the trust's settlor. These are often referred to as trading trusts. There is no register for these trusts and no filing requirements with the Companies Office.

Unit trusts, which are governed by the Unit Trusts Act 1960, are not a structure for conducting general business – they are used as a vehicle for both wholesale and retail funds (collective investment schemes).

Sole Trader

A natural person in business on his or her own account faces virtually no regulation in terms of that business structure – what regulation they face will largely depend upon the nature of the business undertaken.

Other Structures

Although certain other structures exist (for example, industrial and provident societies) they are not an available option for most businesses. It is possible for a foreign business to operate through an agent in New Zealand, although the nature of the agency requires careful consideration as it may bring the foreign business into New Zealand's regulatory framework and into New Zealand's tax regime.

Support Services for Businesses

All of the major international accountancy firms and most of the international investment banks and insurers are represented in New Zealand. Only one of the global law firms (DLA Piper) is represented in New Zealand. There are several local banks which promote retail and commercial banking services. Also, there are numerous local accountancy firms throughout the country. We have contacts within all of the major firms and, should you require it, we can assist you in finding the support services that you may need for the on-going operation of your business in New Zealand.

For information on business structures visit [New Zealand Companies Office](#) and contact us.

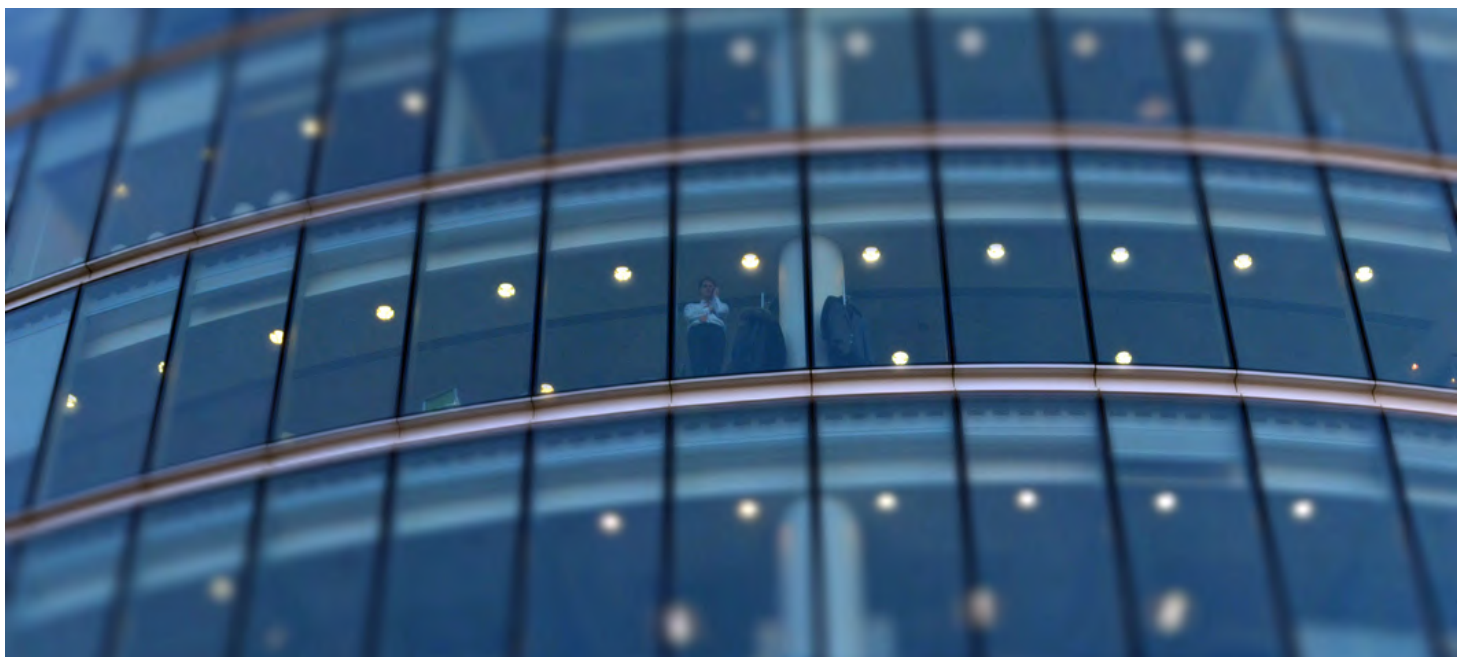
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Land

This section of the guide outlines planning laws, land use and the Resource Management Act 1991 (**RMA**) and how that relates to the sale and purchase of land in New Zealand. It also covers the retention of Māori land and the Waitangi Tribunal.

Title to Land

New Zealand uses the Torrens land registration system. Under this system, generally all parcels of land have their own titles showing the location and dimensions, and record ownership and other interests in that parcel of land. The Government guarantees the correctness of titles, which can be searched by any member of the public for a nominal fee. The attraction of the Torrens system is that dealings in land can be conducted in reliance on a single title, rather than on a succession of title deeds.

The titles are held in an electronic database known as Landonline, which is administered by Land Information New Zealand (**LINZ**). Authorised users can access the database to process transactions, meaning that land conveyancing and registration of mortgages can be processed quickly.

‘The RMA’

The use and development of land is generally controlled by local government. The power to regulate activities derives from the Resource Management Act 1991 (**RMA**), which sets out the responsibilities of local and central government.

The stated aim of the RMA is to promote the sustainable management of New Zealand’s

natural and physical resources. This involves ‘managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety’ while, among other things, avoiding, remedying or mitigating adverse environmental effects. The power to decide the details of how this is achieved is delegated to local government, who establish planning documents that specify objectives and rules for a particular locality.

Planning Laws and Land Use

All land within a local government’s boundaries is subject to that body’s regional or district plan and rules, which classifies land in particular ‘zones’. Zones specify the activities for which land may be used, whether as of right or with resource consent. As the RMA establishes an effects-based regime, rather than a regime that is entirely prescriptive, activities with little or no effect on the environment may be permitted as of right. Activities that are likely to have an effect on the environment may require resource consent or may be prohibited. Specific approval is required to sell alcohol from any land (regardless of its zoning).

Examples of zones are:

- **Residential** – placing limits on housing density and the types of non-residential activity that may take place,
- **Rural** – the land is primarily for farming or horticultural purposes,
- **Industrial** – land uses that are possibly more hazardous or are of greater nuisance to neighbouring occupiers, such as tanneries, refineries, etc.,
- **Business** – regulating activities in commercial areas.

The district plans also dictate construction or subdivision requirements, such as minimum site areas, maximum building height, and design requirements. When regional and district plans are first proposed, they are subject to public input (and may be litigated in the Environment Court). The plans must be reviewed within 10 years of being finalised.

Subdivision of Land

The RMA prevents subdivision of land unless it is expressly allowed by a rule in the district plan or by a resource consent issued under the RMA. The definition of subdivision includes unit (strata) titles, cross-leases and leases of part of an allotment which, including renewals, is or could be for a term of more than 35 years.

The relevant local authority’s consent must be obtained for any proposed subdivision and this will generally be provided if the proposal complies with the rules set out in the district plan. It therefore

is vital that expert advice is obtained to ensure that subdivision is possible or an appropriate condition is included in the agreement for sale and purchase, which will allow the purchaser to cancel the contract if subdivision is not possible.

Seeking Resource Consents or Plan Changes

An applicant for resource consent must show that the effects on the environment of a proposed activity can be avoided, remedied or mitigated. An application with more than minor effects is usually heard and determined at first instance by the elected members of a local authority. The process is designed to allow all those affected by the proposed activity to participate in the decision making process. Therefore, it is common for members of the public to present their views at a hearing. There is a right of appeal to the Environment Court, a specifically constituted body of legal and technical experts in the area of resource management.

Applications may also be made to alter or amend planning documents. The process is similar to obtaining resource consent.

The costs to business, in both time and money, in obtaining resource consent or instigating a plan change can be considerable. For that reason, obtaining specialist legal advice at the outset of any proposed development is recommended.

Contracts to Buy and Sell Land

Agreements affecting land must be in writing if they are to be enforceable. It is usual for sellers and buyers of land to sign formal agreements for sale and purchase once they have agreed on price and terms. The most common form of agreement for sale and purchase of

land is that drafted by the Auckland District Law Society in consultation with the Real Estate Institute of New Zealand and commonly known as the REINZ/ADLS form of Agreement for Sale and Purchase of Real Estate (**REINZ/ADLS** standard agreement). This allows simple transactions to be recorded without unnecessary cost or formality.

Once signed by seller and buyer, an agreement for sale and purchase becomes binding on both parties. However, it can be made subject to conditions that protect either the seller or buyer by requiring the transaction to be finalised only if those conditions are satisfied or waived. Common conditions are:

- the buyer raising finance;
- the buyer being satisfied on identified matters (such as a valuation report, engineer's report, zoning, tenants of the property, etc) or a more general condition that the buyer is 'satisfied with the property in all respects'; and
- all regulatory consents being obtained (in particular, consent of the Overseas Investment Office – see [Inbound investment – the overseas investment regime](#)).

One of the advantages of using binding contracts once the agreement on price and terms has been reached (rather than exchanging contracts after an investigation period) is that it is not possible for the buyer to be 'gazumped' by another buyer, or for the seller to change his or her mind.

Although the REINZ/ADLS standard agreement forms the basis of many contracts, it will often have special conditions added or be modified in some way to reflect what is appropriate to a specific transaction (particularly if the land in question is commercial, farmland

or business-related). More complex transactions will be the subject of bespoke agreements. As each party to an agreement to buy or sell land will need to instruct a solicitor or licensed conveyancer to register the transaction through Landonline, it is advisable for the parties either to seek legal advice before entering into any agreement or to make the agreement conditional on their solicitor's approval.

It is important for both the buyer and the seller to consider whether Goods and Services Tax (GST) is applicable to the sale. Although GST generally does not apply to residential dwellings, it can apply to these in some scenarios (e.g. if the seller is a developer or builder). GST will need to be considered if the land is commercial, farmland or otherwise used in a business. Again, legal advice should be sought before entering into an agreement so that the GST position can be correctly addressed in the agreement.

Māori Land and Land Claims

The Te Ture Whenua Māori Act 1993 focuses on the retention of Māori land and allows owners of Māori land to create economic entities of fragmented and, in some cases, otherwise unmanageable land. This Act categorises land into several different status groups.

Māori freehold land is one of these status groups and this land is impossible to alienate (e.g. sell or mortgage) without the consent of the Māori Land Court. This differs from general land, to which the Torrens system applies. Owners of Māori freehold land can establish incorporations and trusts to manage their land and deal with potential purchasers or security holders, subject to the Court's approval.

The Waitangi Tribunal was established under the Treaty of Waitangi Act 1975 to consider actions inconsistent with the principles of the Treaty and to make recommendations to the Government as to appropriate

redress. Negotiations between the Crown and Māori are continuing with a view to achieving the full and final settlement of all land claims. Land owned by the Crown may be used to meet these settlements.

For more information on land issues visit [Land Information New Zealand](#) and contact us.

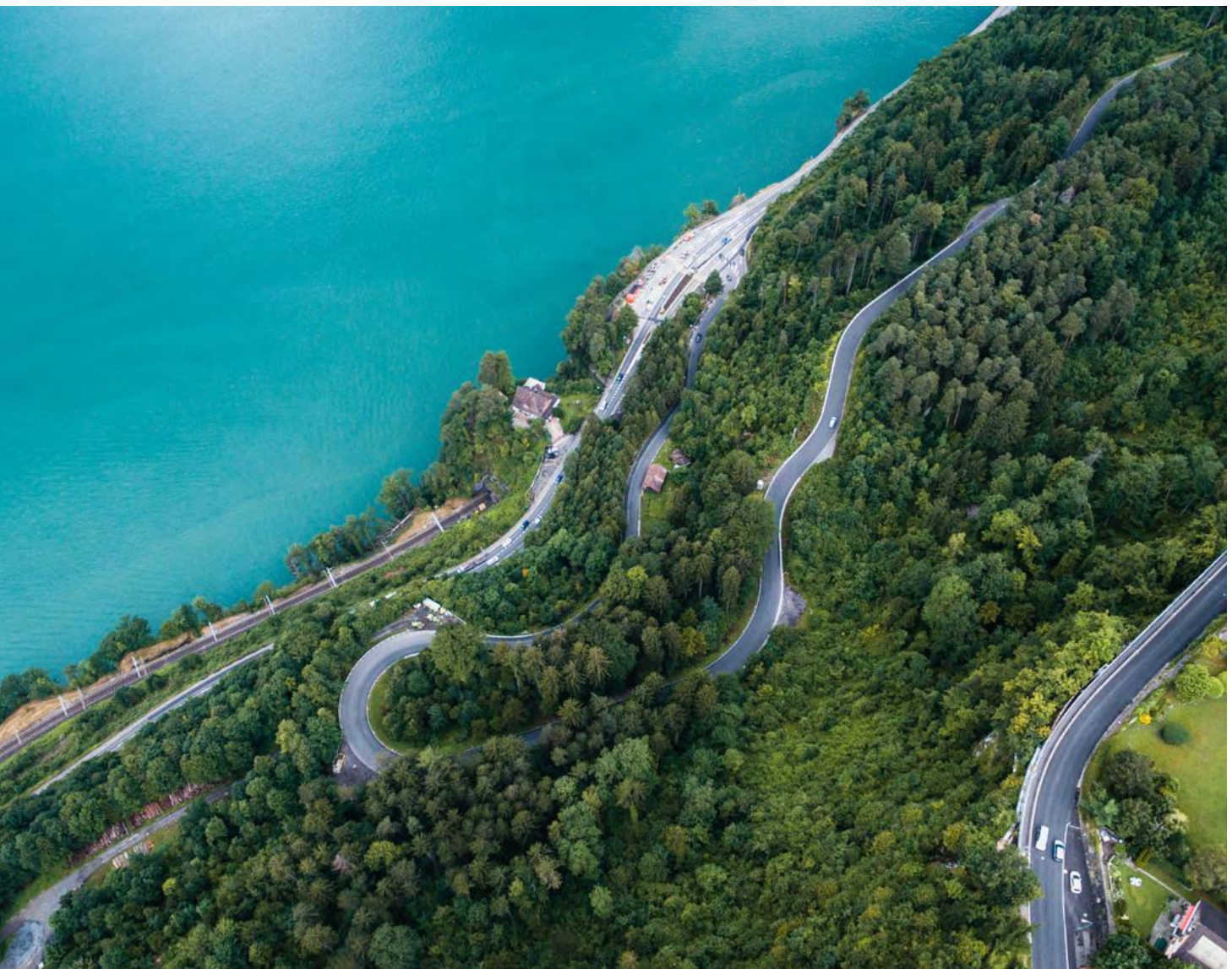
Key Contacts



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Labour Relations and Employment

This section explains how the labour relations and employment system works in New Zealand. It covers everything from pay and holidays to the ACC scheme and KiwiSaver.

Labour Relations

Labour relations in New Zealand are governed by various statutes, the main one being the Employment Relations Act 2000. The overarching obligation imposed by the Act is a requirement that parties to an employment relationship must deal with each other in good faith and, without limiting that concept, must not mislead or deceive each other. The Act also:

- requires all employment agreements to be recorded in writing;
- recognises freedom of association, such that membership of a union is voluntary;
- recognises unions and sets out unions' rights to represent members, to access workplaces and to meet with members, and sets out the basis for collective bargaining;
- sets requirements for rest breaks and meal breaks;
- provides that employers must comply with many process and minimum requirements including the minimum content of employment agreements, union rights, collective bargaining and record keeping requirements;
- regulates strikes and lockouts; and
- sets out the framework for dealing with personal grievances and employment-related disputes.

Pay

The government sets a minimum rate of pay under the Minimum Wage Act 1983, which is reviewed annually. Whether or not overtime or penalty rates apply for after hours or weekend work will depend upon the employment agreement (rates for working on public holidays are discussed below). The Act also stipulates that every employment agreement must fix the maximum number of hours worked in any working week at not more than 40, excluding overtime, unless the parties agree otherwise, and envisages that these hours (excluding overtime) would be worked over not more than five days per week.

An employer is not permitted to make deductions from wages except in accordance with the Wages Protection Act 1983. Essentially, this limits deductions to ones required by law, ones to which the employee has agreed in writing, ones covered by a specific deductions clause in the employment agreement (if reasonable and following consultation) and the recovery of overpayments in limited situations.

Holidays and Leave Entitlements

Minimum holiday and leave entitlements exist under various statutes, although these can be increased under an employment agreement.

ANNUAL LEAVE

All employees are entitled to a minimum of four weeks annual leave on full pay after a year of employment with that employer. The leave is to be taken at a mutually agreed time or, if agreement cannot be reached, as directed by the employer provided 14 days' notice is given. An employee can request to have one week's leave paid out, but employers may adopt a policy to prevent such requests.

PUBLIC HOLIDAYS

There are 11 public holidays per year. If a public holiday falls on a day that would otherwise be a working day for the employee, the employee is entitled to the day off on full pay. However, if the employment agreement provides for it, an employer can require an employee to work on the public holiday, in which case the employee is paid time and a half and transfers the paid holiday to another day.

OTHER LEAVE

After the first six months of continuous employment, an employee is entitled to five days paid sick leave and three days paid bereavement leave. Most employees are entitled to up to 22 weeks of paid parental leave (payment is from the government not the employer), in event of having or adopting a child. Various types of unpaid parental leave also exist, including extended leave up to 52 weeks (including any paid leave) that can be shared between the employee and the other parent/partner. Employers must keep employees' positions for them to return to after they have finished their parental leave.

Health and Safety

Under the Health and Safety at Work Act 2015 (HSWA) employers are required to take reasonably practicable steps to ensure workplace safety. They also have specific duties to identify workplace hazards, to eliminate them, or to isolate and monitor them if elimination is not possible. Duties also exist to train and supervise workers appropriately and inform them about workplace hazards and how to best keep themselves safe.

The HSWA aims to secure the health and safety of workers and others by:

- creating a category of duty holders – Officers – who must exercise due diligence obligations to ensure any relevant health and safety obligations are met;
- broadening responsibility for workplace health and safety to everyone in the workplace;
- providing for fair and effective worker engagement and participation in relation to workplace health and safety;
- promoting the provision of advice, information, education, and training in relation to workplace health and safety;
- ensuring that actions taken by persons performing functions or exercising powers under HSWA are subject to scrutiny and review;

WorkSafe New Zealand is the work health and safety regulator. Its functions include monitoring and enforcing compliance with work health and safety legislation. In the event of breach, directors, senior managers and workers may be subject to the range of offences and penalties under HSWA and regulations. Imprisonment is reserved for the most serious offences.

Anti-Discrimination

The Human Rights Act 1993 and the Employment Relations Act 2000 prohibit discrimination in employment on the grounds of: sex; marital status; religious belief; colour; race; ethnic or national origins; disability; age; political opinion; employment status; family status; or, sexual orientation. Some limited exceptions exist.

The ACC Scheme

The Accident Compensation Corporation (ACC) is a Crown entity that manages New Zealand's no-fault personal injury scheme, although ACC is commonly used to refer to the scheme itself. ACC provides medical and rehabilitation treatment and earnings-related compensation for injuries (whether work-related or not), but not for illness or non-work related disease, infection or gradual process injury. When ACC was introduced, the right to sue those who cause the injury (other than for exemplary damages) was removed.

The scheme is funded by levies imposed on employers, employees and the self-employed, based on the level of earnings (up to a maximum per employee) and the risks associated with relevant industry and workplace. It is also funded by levies imposed on such things as motor vehicle registration. The employer's levy may be impacted by the injury history of their workplace under the experience rating system (applicable to many employers), with a reduction/ loading applying for employers who have a better/ worse than average history. There are various other ways in which employers can seek to reduce their levies.

Employers are liable to pay the first week's wages (at 80%) to an employee who takes time off after suffering a work related injury.

KiwiSaver

KiwiSaver is a voluntary, work-based savings initiative to help New Zealanders with their long-term saving for retirement. For employees, KiwiSaver is work-based meaning they will receive information about KiwiSaver from their employer and the KiwiSaver contributions will come straight out of their pay. All new employees are subject to automatic enrolment, but have the ability to opt- out within a specified period.

For participating employees, the employer is required to:

- deduct an employee contribution (minimum 3%) from that person's salary or wage, which is sent to the Inland Revenue Department (IRD) as part of the employer's monthly tax return (discussed below); and,
- contribute the employer's contribution of 3% (although they may agree to contribute a larger amount).

Employer's Superannuation Contribution Tax (ESCT) is deducted from the employer's contribution, such that the IRD receives the full amount of the contributions and passes on that amount less the ESCT to the relevant KiwiSaver scheme to which the employee belongs.

Employment Related Taxes and the PAYE System

Employers are required to withhold tax from their employee's pay and return this to the IRD under the 'Pay As You Earn' (PAYE) system. The rate of withholding will depend upon the marginal tax rate of the employee. The employer must file a 'monthly schedule' and return the tax to the IRD either monthly, or in the case of large employers, twice-monthly. (Also see [Tax](#)).

Employers must also withhold and account for various other amounts under the PAYE system including:

- ACC earner levies;
- KiwiSaver contributions;
- ESCT (which is deducted from superannuation contributions, including KiwiSaver contributions, that an employer makes for its employees); and

- other deductions specific to an employee's situation – the most common of which are student loan repayments, liable parent contributions, and court fines.

Further, employers are liable to pay Fringe Benefit Tax (FBT) on the value of most non-cash benefits that they provide to employees. The rate of FBT varies (it can be impacted by the nature of the benefit and the

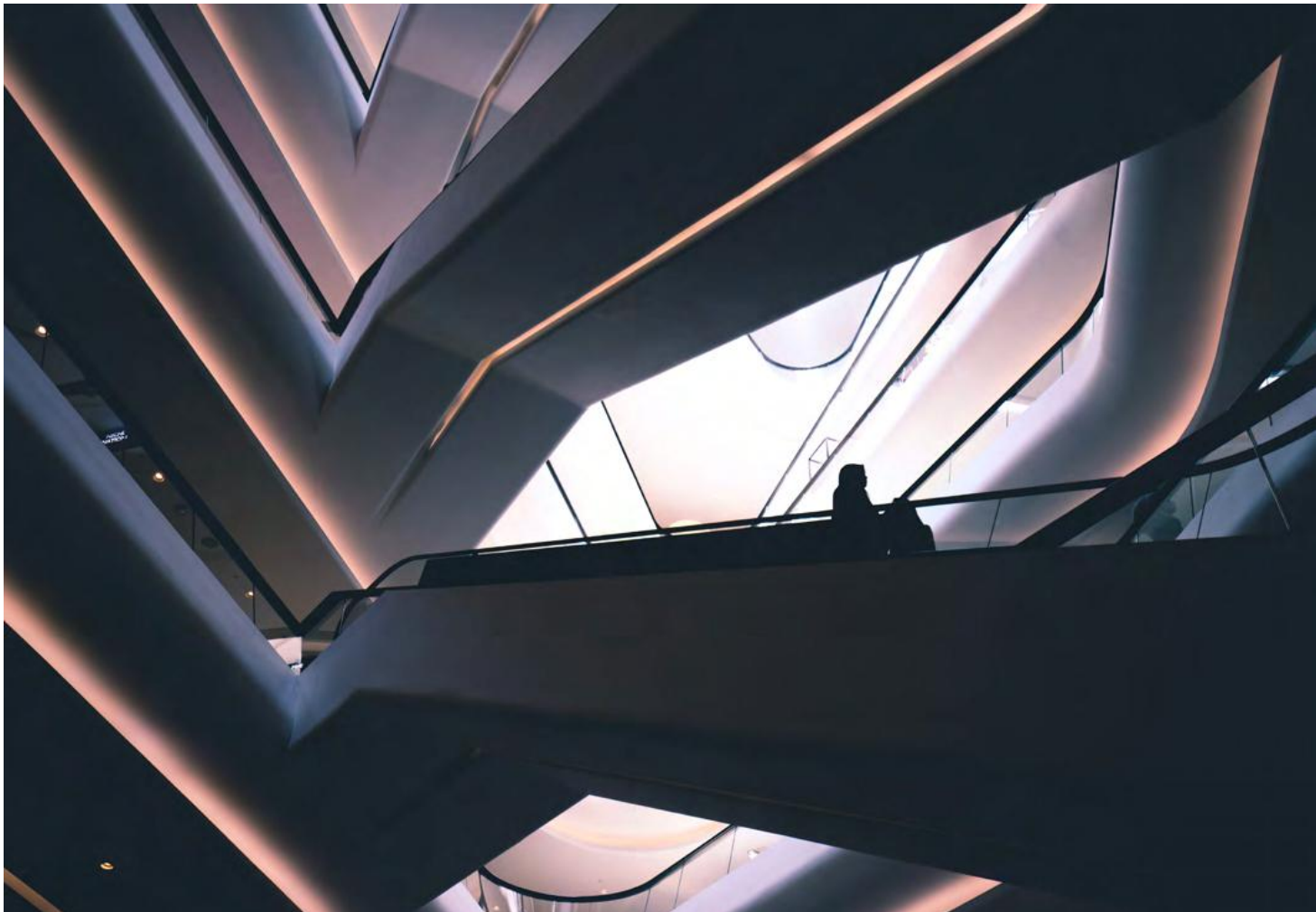
marginal tax rate of the recipient), as does the frequency with which the employer must file FBT returns.

For more information on employment matters visit [Ministry of Business, Innovation & Employment](#) and contact us.

Key Contacts



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Inbound Investment – The ‘Overseas Investment Regime’

Foreign investment is welcomed in New Zealand.

This section of the guide outlines the regulatory framework for investing in New Zealand including significant business assets, and sensitive land.

Foreign Investment Policy

Foreign investment is welcomed in New Zealand and the regulation of foreign investment is liberal by international standards. Investments (both direct and indirect) by ‘overseas persons’ in certain types of land, ‘significant business assets’, and fishing quota are regulated. However, as a consenting regime approach is adopted, rather than an absolute prohibition, many foreigners are able to invest in these types of assets.

Regulatory framework

The main regulatory controls on overseas investment are found in the Overseas Investment Act 2005 (**OIA**) and its associated regulations. The OIA distinguishes between investment by overseas persons in land and in non-land assets. It is administered by the Overseas Investment Office (**OIO**), which reports to the Minister for Land Information and the Minister for Finance. The Fisheries Act 1996 contains the regulatory controls relating to the ownership of fishing quota and it dovetails to a degree with the OIA processes in terms of regulating foreign investment in quota.

The term ‘overseas person’ includes:

- an individual if the person is not a citizen of, or ordinarily resident in, New Zealand;

- a company that is incorporated outside New Zealand, or in which an overseas person has 25% or more ownership or control;
- a trust, partnership, or body corporate if an overseas person has 25% or more of its ownership or control (or similar thresholds are met); and
- ‘associates’ of ‘overseas persons’.

As an ‘associate’ of an overseas person is also treated as an overseas person for the purposes of the OIA, careful consideration needs to be given as to whether a transaction is captured under the OIA by virtue of an ‘associate’ being considered an overseas person. An ‘associate’ is defined broadly and the associate provisions are intended to capture situations where overseas investments are indirectly owned or controlled by an overseas person. The provisions operate both as a substantive control (agents, trusts, business relationships), and as an anti-avoidance mechanism (secret deals, unwritten agreements, understandings). Therefore, it is not always clear when a person would be considered an ‘associate’ of an overseas person.

Also, careful analysis is required in relation to overseas persons who are in the process of becoming a non-overseas persons (i.e. individuals in the process of being ‘ordinarily resident’ in New Zealand) and when and if such persons require consent under the OIA.

Expert advice should be sought to avoid inadvertently breaching the OIA.

Investment in significant business assets

Generally, overseas persons need consent to:

- acquire 25% or more ownership or controlling interest in an entity (or if having such an interest, wish to increase it) if either the consideration paid or the value of the entity’s assets (including certain sub-entities) exceeds NZ\$100 million;
- establish a business in New Zealand if the total expenditure expected to be incurred before the business commences exceeds NZ\$100 million and the business is carried on for more than 90 days in any year;
- acquire property in New Zealand used in carrying on a business in New Zealand if the total value of the consideration exceeds NZ\$100 million.

However, various exemptions do exist and a higher NZ\$ threshold applies to Australian investors.

Investment in sensitive land

The term ‘sensitive land’ includes:

- non-urban land of 5 hectares or
- more;
- any land that is part of the
- foreshore or seabed;
- land on islands specified in the OIA; and
- land over 0.4 hectares that

includes or adjoins certain sensitive areas, e.g. conservation land, reserves, historic or heritage areas, lakes or foreshore or seabed.

An overseas person will need consent to:

- purchase sensitive land; and
- invest in securities of an entity that owns (or controls) an interest in sensitive land, if this would result in that person;
- holding a 25% or more ownership or controlling interest in the entity (a quarter interest); or
- if already owning a quarter interest, increasing it.

Other requirements may apply depending upon the type of land. For example, farmland must be publicly advertised for sale to New Zealanders for a minimum period (with the seller being in a position to accept any offer arising from the advertising) and 'special land' (in essence, any foreshore, seabed, riverbed or lake within the sensitive land) must be first offered to the Crown.

Thinking of investing?

Overseas persons who are thinking of investing in New Zealand should obtain advice from a lawyer experienced in OIA matters early in the process, before entering into any purchase agreement and before seeking OIO approval. This will assist prospective investors in:

- assessing whether or not they fall within the scope of the OIA regime, and if so, their likelihood of gaining consent;
- negotiating appropriate conditions for inclusion in the purchase agreement; and
- formulating the OIO application in the most appropriate manner.

There are detailed criteria used by the OIO to assess investment applications. These are more detailed for land investments than non-land investments. Any application should be formulated with those criteria in mind. All applications must show that individuals in control of the overseas person are of good character and collectively have the business experience and acumen relevant to the investment. All application submitted must be accompanied by the prescribed application fee, which ranges from \$22,500 to \$54,000, depending on the nature of the sensitive assets being acquired.

For transactions involving sensitive land, it must be shown that the transaction will, or is likely to, benefit New Zealand. A large number of economic and conservation factors are taken into account, and the relevant Minister or regulator must determine that the investment will or is likely to benefit New Zealand. If the relevant land includes non-urban land over five hectares, then the relevant Minister or regulator

must determine whether the benefit will, or is likely to, be 'substantial and identifiable'. Following the Crafar Farms decision, the Overseas Investment Office must now assess the economic benefits resulting from the particular investment against an alternative scenario should the overseas investment not occur.

Our experienced OIO lawyers can identify situations where the use of other experts may assist the application. For example, if the target investment is in farmland, engaging a local farm management specialist may identify capital improvements that would improve the productivity of the farm – if the investor committed to undertake these in its application, this may improve the likelihood of consent being granted. Similarly, as the ultimate consent granted will usually include conditions (e.g. a consent involving sensitive land may require an area be fenced off to protect the natural habitat), offering these in the application can assist its likelihood of success.

The consent process will impact on the timing of any purchase, with land applications (particularly those involving sensitive land) generally taking longer than business applications. The better the initial application is formulated, the less likely that the OIO will ask for additional information to be supplied (any such requests will extend the processing time).

Generally, although the OIO will not disclose the existence of an application while it is being considered (unless requested by members of the public), once the application has been determined the OIO will issue a public decision

sheet summarising its decision. Our OIO experts can assist an applicant in formulating any requests for withholding from public release information relating to the application.

For more information on OIO visit the [Overseas Investment Office](#) and contact us.

Key Contacts



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Tax

This section gives an overview of New Zealand's tax system. It outlines the main taxes to be considered if doing business in New Zealand.

Tax in New Zealand

New Zealand has a comprehensive tax system. Central government is responsible for the imposition and collection of tax. The main taxes paid by individuals and companies in New Zealand are: income tax; goods and services tax (**GST** a value added tax); certain withholding taxes; and duties. New Zealand does not have a general capital gains tax.

The law relating to the collection of tax, tax disputes, and similar matters is contained in the Tax Administration Act 1994 (**TAA**), which is administered by the Inland Revenue (**IR**). The tax system operates on the basis of self-assessment, with the IR undertaking audits, either randomly or on a targeted basis, to ensure compliance. The New Zealand Customs Service is responsible for the collection of duties.

Local government imposes rates on land-owners (although, technically, rates are not a tax). Further, various bodies can impose levies (again not technically a tax), with the most common being Accident

Compensation Corporation (ACC) levies (see [Labour Relations and Employment](#)) and commodity levies (in the [Primary Production](#) sector).

Income Tax INTRODUCTION

Income tax currently is imposed under the Income Tax Act 2007 (**ITA**). Given the complexities of the ITA and the frequency with which it is amended, specialist advice is recommended for those considering operating in or investing into New Zealand.

Tax is imposed on a residence basis and a source basis. Residents are liable to tax on their world-wide income and non-residents are liable to tax on New Zealand sourced income.

An individual is tax resident in New Zealand if:

- the person has a 'permanent place of abode' in New Zealand (whether or not the person has a 'permanent place of abode' elsewhere); or

- the person is in New Zealand for more than 183 days in any 12-month period.

A specific expatriate exemption can apply to new migrants and returning New Zealanders that have been absent for 10 years or more. This exemption can exempt offshore investments from New Zealand tax for a period of four years from the time the expatriate becomes resident in New Zealand.

A company is tax resident in New Zealand if:

- it is incorporated, has its head office, or its centre of management, in New Zealand; or
- control of the company by its directors is exercised in New Zealand.

The position outlined above may be varied, for example, by the application of transitional residence rules or a double tax agreement (**DTA**).

The tax year runs from 1 April to 31 March. A company may adopt a different balance date provided approval is obtained from IR.

RATES FOR 2018/19 INCOME YEAR

Tax rates applicable for the 2018/19 income year are:

Category	Income Bracket	Tax Rate
Individuals	\$0 to \$14,000	10.5%
	\$14,001 to \$48,000	17.5%
	\$48,001 to \$70,000	30%
	\$70,001 to \$180,000	33%
	\$180,001 upwards	39%
Companies		28%
Trustees (on trustee income)		33%

The ITA is highly prescriptive, and includes detailed rules:

- On timing (as to when income is considered to be derived and expenses incurred);
- Relating to the availability and use of tax losses;
- Specific to different types of entity. For example, there are various provisions relevant to companies (dividends, consolidation of groups, amalgamations, etc.) and a regime specific to trusts;
- Specific to different types of expenditure. For example, specific provisions applying to expenditure on intellectual property and research and development.
- Specific to different types of asset. For example, there are provisions specific to land, which capture as income some gains that otherwise may be regarded as capital gains;
- To prevent tax avoidance. Some of these rules are targeted at particular risks, for example, transfer- pricing, thin capitalisation and hybrid rules to prevent profit-shifting offshore. The foreign investment fund (**FIF**) and controlled foreign company (**CFC**) rules to limit New Zealand residents accumulating untaxed wealth offshore. In addition, there is a general anti-avoidance rule, which enables tax avoidance arrangements to be disregarded for tax purposes.

COMPANIES

Companies are taxed at an entity level unless they have opted to be a 'look through company'.

An imputation credit regime operates to provide (a degree of) relief from classic double taxation (i.e. taxing one item of income at both the company level and the shareholder level). An imputation credit is generated when a company pays income tax and, provided certain requirements are met, the credit is attached to dividends paid to its shareholders (which the shareholders can then use as a credit to satisfy their New Zealand tax or, if a non-resident, to potentially lower the rate of non-resident withholding tax applicable to the dividend).

Resident companies with common ownership may (but are not required to) elect to form a consolidated group and file a single income tax return. Generally, companies within a consolidated group are able to pay dividends and move assets intra- group without incurring liability for tax on intra-group 'profits'.

A company may carry forward tax losses from one year to another provided it meets the requisite level of shareholder continuity throughout the relevant period. A company's tax losses can be offset against another company's profits, provided that both companies (that are not in a consolidated group) have sufficient levels of common ownership throughout the relevant period.

A company that has opted to be a look-through company is taxed on a flow-through basis such that its shareholders are regarded as holding their proportionate share of the assets, liabilities, income and losses of the company, and

are taxed on that proportionate share (much as a partner in a partnership would be taxed). The regime includes anti-avoidance type provisions (e.g. to stop excessive loss utilisation, streaming to shareholders).

TRUSTS

The trustees of a trust usually are treated collectively as a taxpayer (distinct from those trustees in their private capacities). The trust's income will be either 'trustee income' or 'beneficiary income', depending on if and when it is distributed to (or applied for the benefit of) a beneficiary. Trustee income is taxed at 33%. Beneficiary income is taxed at the recipient beneficiary's marginal tax rate (although if the beneficiary is a minor it usually is taxed at 33%). Distributions of things other than income may be subject to tax, depending upon the classification of the trust and the residence of the beneficiary.

Specific types of trusts (e.g. unit trusts, charitable trusts, etc.) are subject to different tax treatment.

PARTNERSHIPS

New Zealand partnerships are transparent and the partners are regarded as holding their proportionate share of the assets, liabilities, income and losses of the partnership, and are taxed on that proportionate share. New Zealand also has a limited partnership regime.

PORTFOLIO INVESTMENT ENTITIES (PIES)

The PIE regime is a system for taxing collective investment entities in New Zealand, generally PIEs operate for individual or retail investors. There are different types of PIE and an entity that chooses to become a PIE must satisfy certain eligibility criteria. Eligible PIEs and investors in PIEs can benefit from certain income tax benefits.

RULINGS

New Zealand also has a binding rulings regime under which the Commissioner of Inland Revenue can issue rulings (including Private and Product Rulings) as to how tax applies to an arrangement.

Goods and Services Tax (GST)

Goods and Services Tax (**GST**), imposed under the Goods and Services Tax Act 1985 (**GST Act**), is a consumption tax. It is imposed on the supply of goods and services in New Zealand by a 'registered person' in the course of carrying on a 'taxable activity'. Complex rules govern where a supply is made and when a person is regarded as being inside or outside New Zealand.

From 1 October 2016, offshore suppliers of 'remote services' (e.g. digital downloads) to New Zealand customers can be liable to register for GST.

The standard rate of GST is 15% of the value of the good or service being supplied. Certain supplies are exempt from tax, in particular most supplies of residential accommodation and, unless certain elections are made, supplies of financial services. Certain supplies have GST imposed at 0% (referred to as 'zero rated'), for example, exported goods, most supplies

of land between GST registered persons, and the supply of a 'going concern' provided certain requirements are met.

Although GST is a consumption tax, it is accounted for as things flow through the supply chain, with GST registered persons accounting for output tax (for GST on their taxable supplies) and claiming input tax credits (for GST on acquisitions for their taxable activity).

Withholding Obligations and Other Tax Collection Methods

In various situations, the payer of an amount must withhold tax on account of the tax liability of the recipient of the payment. The most common withholdings are:

- Resident withholding tax (**RWT**), which is imposed on most payments of interest and dividends to residents.
- Non-resident withholding tax (**NRWT**), which is imposed on most payments of dividends, interest and royalties to non-residents.
- Non-resident contractors' tax (**NRCT**), which is imposed on payments made to non-resident contractors for services physically performed in New Zealand, or for the use of personal property in New Zealand.
- Pay as you earn (**PAYE**) regime under which employers must withhold tax from salaries, wages and other payments made to employees and certain contractors. NRCT, ACC earners' levy, KiwiSaver, and student loan repayments are also deducted in conjunction with PAYE. For more on the PAYE system and employer tax issues, see [Labour Relations and Employment](#).

- Fringe Benefit Tax (**FBT**), applies to benefits employees receive as a result of their employment, and common examples include private use of motor vehicles, employee loans, medical insurance and other non-cash benefits.
- Residential Land Withholding Tax (**RLWT**), which must be withheld from the proceeds of sale of residential land if the vendor is an 'offshore RLWT person' and certain other factors exist.

Duties

CUSTOMS DUTY

This term commonly refers to a number of specific imposts, which are collected by the New Zealand Customs Service, including:

- Excise duty and excise-equivalent duty – payable on alcohol, tobacco products and motor spirits/petroleum products imported into, or manufactured in, New Zealand;
- Duty imposed on specified items at the rates indicated in the tariff. The rate is generally between 5% and 10% on most goods, although some concessions and duty free allowances can apply;
- GST on imported goods; and
- Anti-dumping and countervailing duties.

GAMING DUTIES

Various duties apply to the operation of casinos, gaming machines, the running of lotteries, etc. Approval is required to undertake such activities, in addition to the payment of duty.

OTHER DUTIES

Historically, New Zealand did impose death duty, stamp duty and cheque duty. None of these are imposed currently.

For more information on tax visit [Inland Revenue](#) and contact us.

Key Contacts



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DLA Piper has one of the largest global law firm tax practices with a network of tax lawyers and economists across more than 50 countries. The New Zealand tax team can also assist with obtaining tax advice for jurisdictions outside of New Zealand.



Legal System and Dispute Resolution

New Zealand has a common law legal system derived from the English legal system. This is reflected in the fact that, until 2004, New Zealand's highest court was the Judicial Committee of the Privy Council in London. This section outlines the hierarchy of the New Zealand court system and different ways to resolve disputes in this country.

Hierarchy of Courts

The current hierarchy of courts (from highest to lowest) can be viewed by [clicking here](#).

The Supreme Court, Court of Appeal, High Court and District Courts are courts of general jurisdiction, dealing with both civil and criminal matters. The High Court has both statutory jurisdiction and inherent common law jurisdiction. The jurisdiction of the other courts and tribunals is prescribed by statute. Most cases are heard initially in either the District Court (for civil matters up to NZ\$350,000) or the High Court (for civil matters above \$350,000).

- Litigation is generally similar to other common law jurisdictions. A major distinction is that there is no ability to sue for personal injury in New Zealand in the vast majority of cases. New Zealand instead operates a no-fault system where compensation is provided by the government through the Accident Compensation Corporation (ACC).

For more information on the ACC scheme refer to [Labour Relations & Employment](#).

Mediation and Arbitration

Mediation and Arbitration are increasingly being used to resolve disputes. Most commercial contracts will include a provision specifying whether either of these mechanisms is to be used in the event of a dispute between the contracting parties. In simple terms, these processes are:

MEDIATION

A consensual process that uses an independent and impartial mediator to facilitate negotiation between the parties so that they may resolve the dispute themselves. The mediator's role is not to decide the outcome of the dispute. There is no prescriptive process to be followed and the rules of evidence do not apply to mediations.

ARBITRATION

An independent and impartial arbitrator considers the

representations of the parties and makes a decision on the dispute. That decision, the arbitrator's 'award', is usually final and binding on the parties, and is enforceable by the courts. Arbitrations will be governed by the Arbitration Act 1996 unless the parties have agreed otherwise. That Act aims to promote a regime consistent with the Model Law on International Commercial Arbitration adopted by the United Nations Commission on International Trade Law and to give effect to New Zealand's obligations under various treaties (such as the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards).

CIVIL LITIGATION

Civil litigation can be expensive, particularly where the existence of large numbers of documents (including e-documents) needs to be disclosed through the process of 'discovery', or where significant hearing time is required. In general terms, the successful party following litigation is entitled to a costs award against the other side, although this seldom amounts to more than approximately one-third of actual costs. Accordingly, it is important early on in a dispute to get good legal advice to minimise risk.

For more information on dispute resolution visit the [Arbitrators' & Mediators' Institute of New Zealand Inc](#) and contact us.

Key Contacts



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Securities Markets

This section of the guide outlines New Zealand's national securities exchange (NZX), general securities markets, and provisions by the Financial Markets Conduct Act 2013 (FMCA) regulating the issue of financial products in New Zealand.

Offers of Securities

The Financial Markets Conduct Act 2013 (**FMCA**) governs the issue and offering of financial products.

Certain issuers of financial product to retail investors need a licence from the Financial Markets Authority (**FMA**). Issuers of regulated offers of financial products must prepare a product disclosure statement, and other prescribed information, unless an exemption or exclusion applies to them.

Regulations under the FMCA further regulate governance and offers of product.

New Zealand's Capital Markets and the NZX

New Zealand Exchange Limited (**NZX**) operates New Zealand's national securities exchange and, with the FMA, supervises market participants and monitors legislative and NZX Listing Rule compliance. Trading on the NZX markets is conducted through NZX's FASTER system, a fully automated securities exchange incorporating trading, settlement and registration facilities.

New Listing Rules

NZX has issued new rules which will apply to issuers from July 2019 (unless adopted earlier, after 1 January 2019). The new rules are designed to simplify the market structure, make it easier for companies to list and raise capital, and also to clarify the process to list funds. The NZAX, and the NXT

markets, designed for companies with smaller market capitalisation, will not continue.

NZX Main Board

The NZX Main Board will be the sole equities market on which some of New Zealand's companies, and certain funds are listed. In general, listed issuers will be required to have a minimum of 100 investors holding at least 20% of the listed securities issued. The minimum parcel will be shares valued at \$1,000.

Two types of listing will be available:

- **NZX as Home Exchange** - for entities with NZX as their primary listing. They may also be listed on overseas exchanges.
- **Foreign Exempt Issuers** - for entities fully listed on an overseas exchange as their home exchange that are also listed on NZX.

NZX Debt Market

Listed debt securities are traded on the NZX Debt Market (**NZDX**) market, which is both a primary market facility where investors can buy newly-issued debt securities from the issuer, and also a secondary market where investors can trade debt securities through NZX advisors. The NZDX offers a range of investment securities including corporate and government bonds and fixed income securities. Wholesale debt may also be listed.

Regulation of Trading

The FMCA and related regulations are intended to keep the market operating fairly. FMCA addresses:

Director and senior manager disclosure

Directors and senior managers of issuers listed on the NZX (public issuers) must disclose any relevant interests and dealings they have in securities of the issuer. A senior manager is a person who is not a director but occupies a position that allows that person to exercise significant influence over the management or administration of the issuer.

Insider trading

An insider trading regime (similar to that in Australia) applies to information insiders, being those possessing material information regarding a public issuer that is not generally available to the market, who know or ought reasonably to know that the information is material and not generally available. Material information is information that a reasonable person would expect to have a material effect on the price of the relevant securities if it were generally available to the market.

Information insiders are not permitted to trade securities, disclose inside information, or advise another person to trade or hold securities.

Market manipulation

Practices that involve creating a false impression of securities trading or price movement, or disseminating false market information, are prohibited.

Substantial product holding disclosure

Holders of relevant interests in 5% or more of a class of voting securities in public issuers must disclose that interest to the public issuer and the NZX. Changes in relevant interests by 1% or more must also be disclosed. Issuers have the power to require investors to disclose information about their shareholding so that they can determine who holds relevant interests. Regulations set out how disclosures are to be made.

Sanctions for breaching these provisions include imprisonment and fines.

Takeovers

Takeovers are regulated by the Takeovers Code (**Code**), which is administered and enforced by the Takeovers Panel. In addition to the Code, the NZX Listing Rules, the Takeovers Act 1993 and certain provisions of the Companies Act 1993 will apply to takeovers.

'Code companies', as companies subject to the Code are known, include NZX listed companies, recently de-listed companies, and any company with 50 or more shareholders, and shareholdings.

The fundamental rule under the Code is that a person and its associates must not hold or control

more than 20% of the voting rights in a Code company (and if they hold/ control that level, must not increase it), unless they comply with the Code's exceptions. These are:

- An acquisition or allotment approved by ordinary resolution and in accordance with the Code.
- A full or partial takeover offer in accordance with the Code.
- An increase of no more than 5% in a 12 month period by a person holding between 50% and 90% of voting securities.
- Compulsory acquisition in accordance with the Code by a person holding 90% of voting securities.
- An increase permitted by a Takeovers Panel exemption.

Holders of excess shares over a threshold restriction, other than in accordance with a Code exemption, cannot vote the excess shares and must sell them down.

Takeover offers are strictly controlled and are designed to provide equal opportunity for shareholders to participate in an offer. Directors of a target company continue to have obligations under the Companies Act during the period of a takeover offer, in addition to the Code.

The Code prohibits defensive tactics by directors which may prevent an offer being made or prevent

shareholders from considering the merits of an offer. The Code also prohibits any person from engaging in misleading or deceptive conduct in relation to a takeover.

Control of Code companies may also be acquired under a Court approved Scheme of Arrangement under part 15 of the Companies Act. That Act now contains provisions to ensure that all shareholders receive a similar level of information before voting on a Scheme, as they would under a takeover offer. Schemes are the more common way to achieve a takeover in New Zealand, other than where the takeover is hostile, as a scheme is achieved by dealing with the target company, rather than its shareholders.

While a takeover offer under the Code follows rigid timetable and processes, a Scheme can be more flexible, relying on court approval.

Derivatives Trading

Persons in the business of entering into derivatives must have a licence from the FMA to make regulated offers of derivatives (offers to retail investors).

Unlisted Securities

The sale of private equity generally is achieved through a negotiated sale and purchase agreement, the terms of which will be guided by due diligence undertaken by the buyer.

For more information on the securities markets visit the [NZX Markets](#) and contact us.

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Financial Services and Funds Management

The financial services and funds management sector in New Zealand has seen more regulatory change in recent years than any other sector of the economy. Although the new regulatory regime has been fully implemented, it is continuing to bed in.

This section of the guide outlines these key changes together with further changes afoot.

Overhaul of New Zealand's Securities Laws

At the heart of the new regime is the Financial Markets Conduct Act 2013 (**FMCA**). The FMCA comprehensively overhauled New Zealand's securities laws. It had a staged implementation, with the transitional period finishing on 30 November 2016.

The FMCA created, amongst others, a licensing regime for fund managers, independent trustees, derivatives issuers, and providers of crowd funding, peer to peer lending and discretionary investment management services (each a **Market Service**). It also introduced new governance measures, disclosure requirements, and enforcement and liability provisions, with a focus on civil liability and significant penalties for deliberate criminal actions.

It is not possible to perform a Market Service, or hold out that a provider has a licence for a particular Market Service, without being licensed by the Financial Markets Authority (**FMA**).

Related Law Reform

The FMCA built on related law reform, including the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSPA**) and the Financial Advisers Act 2008 (**FAA**).

The Financial Service Providers Act 2008 (FSPA)

The FSPA requires any person or entity that provides financial services in New Zealand to register on a public register of financial service providers. If a financial service provider provides services to retail clients, that provider must also join an approved dispute resolution scheme. Anyone providing a prescribed financial service in New Zealand (including insurers, financial advisers, banks, deposit takers, and all those who receive or handle money in the course of their business) must be listed on this web-based register.

Generally, overseas providers will not need to register unless they can prove that they have a genuine physical presence in New Zealand. The FSPA is currently the subject of

further reform, with measures to be put in place to ensure the register is not misused. If an entity is not otherwise licensed in New Zealand, and refers to its New Zealand registered status, it must make clear the limitations of being registered, ie that registration does not indicate the entity is licensed or monitored by any regulatory agency in New Zealand.

In addition, the Registrar will have additional powers to require further information from persons other than the provider, such as a director of the provider. This is to deter New Zealand individuals from helping to facilitate misuse of the register by agreeing to act as nominee directors of offshore-controlled entities applying to be registered. These measures are in addition to the decision to amend the application of the FSPA in respect of the ability only to register entities if they are in the business of providing financial services to persons in New Zealand, they are required to hold a New Zealand financial services licence or be registered, regulations require registration or the entity is required to comply with New Zealand's AML/CFT legislation.

The Financial Advisers Act 2008 (FAA)

The FAA requires those who provide a financial adviser or broking service to a retail client in New Zealand, regardless of where the adviser or broker is resident, incorporated, or carries on business, to comply with disclosure, competency and conduct obligations. Certain provisions

of the FAA also apply to financial adviser services or broking services received by clients outside of New Zealand if the service is provided by a person who is ordinarily resident in New Zealand.

The FAA requires all financial advisers to be registered. Advisers who advise on more complex financial products must generally be authorised by FMA. To be authorised the adviser must meet certain eligibility requirements, including minimum competencies and standards of good character. They also must develop an adviser business statement before applying for authorisation.

The FAA is also currently under review with the Financial Services Legislation Amendment Bill (**Bill**) in the legislative process of approval. This Bill will repeal the FAA and make changes to the FSPA and FMCA.

The new advisor regime to be put in place aims to provide access to high quality financial advice for all New Zealanders. The changes represent a shift away from the current regime which seeks to professionalise a subset of advisors, towards a regime which establishes a level playing field of regulation for all those who are providing advice. The regime will be simplified with a requirement for advice to be given by a natural person removed, enabling robo-advice. The current categories of advisers and products and definitions around class and

personalised advice, will be removed creating a level playing field for all types of advisers. Anyone providing a financial adviser service will need to be licensed, with licensing required at an entity level. Anyone providing financial advice will be

required to put the interests of the client first and to only provide advice where competent to do so. All financial advice will be subject to a code of conduct. New disclosure requirements will be introduced to improve consumer understanding and transparency, with disclosure redesigned to ensure consumers receive core information such as remuneration (including commissions) at the time most relevant to the decision making.

The Bill is expected to be passed prior to the end of 2018 or early 2019, with the new regime coming into effect Q2 2020. This is subject to a two year transition for existing advisers to satisfy further competency requirements..

As a result of industry concerns, FMA has granted an industry exemption to allow early implementation of robo-advice under the FAA. Any provider seeking to rely on this exemption must apply to FMA, satisfying certain criteria, and will be subject to ongoing conditions.

The Financial Markets Supervisors Act 2011 (FMSA)

The Financial Markets Supervisors Act 2011 (**FMSA**) requires securities trustees and statutory supervisors to be licensed, and also includes a variety of measures designed to improve the supervision of issuers of financial products. These include requiring securities trustees and statutory supervisors to deliver to FMA, amongst others, reports that enable FMA to ensure that the licensee's ability to perform its obligations remains intact, and advise FMA where any relevant issuer under supervision is, or is likely to become, insolvent or in material breach of its obligations.

Those covered by the FMSA include debt security trustees, supervisors of managed investment schemes (including KiwiSaver schemes), and statutory supervisors who are appointed to look after investors' interests in participatory securities and of residents' interests in retirement villages.

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT)

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**AML/CFT**) places obligations on New Zealand's financial institutions to detect and deter money laundering and terrorism financing.

Businesses who are 'reporting entities' including financial institutions and casinos, banks, fund managers, trustees, wrap platforms, deposit takers and financial advisers) must comply. Phase 2 of the AML/CFT recently enacted has expanded the Act's coverage to now also include lawyers, conveyancers and accountants, amongst others. Requirements include having a compliance officer, conducting a risk assessment and documenting a compliance programme. Reporting entities must verify the identity of their customers, monitor accounts, keep records and report suspicious transactions.

Local Adoption of Foreign Legislation

In addition to New Zealand's domestic regulatory regime, financial services providers need to consider the local adoption of foreign legislation. Of particular note to the financial services industry is New Zealand's adoption (through domestic legislation) of

'FATCA' obligations (the United States statute The Foreign Account Tax Compliance Act) and (from 2017) of global 'AEOI' obligations (being the Automatic Exchange of Information under international treaty).

New Zealand financial institutions are required to provide information about their United States/nonresident account holders (often on a look-through basis) to New Zealand's Inland Revenue who then shares that information with the United States/account holders' home countries' authorities on an annual, automatic basis.

A new Trusts Act for New Zealand

The existing Trustee Act 1956, which has long been in need of modernisation, is under review with the Trusts Bill under consideration. The expanded provisions of the new trusts regime proposed will provide New Zealanders and others with clear guidance as to what their rights, obligations and duties are and will express the duties that all trustees must always owe. Currently the Bill raises implications for regulated products under the FMCA and participants in wholesale trusts together with capital markets programmes with the need for

consistency with the FMCA and other existing requirements clear.

Engaged regulators

The FMA, having completed the FMCA transition, continues its monitoring of the new licensed entities, setting its further short term focuses, with conduct a primary priority. In 2017 FMA issued guidance on its view of conduct and how it will regulate the conduct of financial service providers. This focus has been further strengthened as a result of issues arising from the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, with our regulators questioning if similar failings exist in New Zealand. While an initial review of banks in New Zealand has not found evidence of any systemic issues certain weaknesses have been evident which require urgent action. As at this date the recently issued report from FMA and RBNZ on the findings of their review of conduct and culture in New Zealand retail banks, with recommendations, is an important read for all financial service providers in New Zealand. The report sets out the current expectations of our regulators around good conduct, expectations of which will only continue to rise.

FMA continues to focus on its further strategic priorities including complex or risky products and fast-paced technology, the review of its 'regulatory perimeter', conflicted conduct and remuneration and cyber resilience. Consistent with its approach to extending its regulatory perimeter, issuers of short duration derivatives (derivatives that settle within three working days) now require a derivatives licence.

International Monetary Fund (IMF)

In early May the IMF issued its headline report on its review of New Zealand's financial sector undertaken in 2016. While acknowledging the reforms undertaken under the FMCA, the IMF made a number of important recommendations including the licensing of custodians and the requirement for adequate oversight of wholesale asset managers and the need for conduct oversight of the insurance industry. FMA is currently undertaking thematic reviews in these areas to ascertain next steps.

For more information on Financial Services and Funds Management visit the [Financial Markets Authority](#) and contact us.

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Insurance

New Zealand's insurance laws are largely based on England's common law. However, legislation regulates the New Zealand insurance industry. Recent new laws have significantly tightened up the regulatory requirements, bringing New Zealand more in line with Australia and the United Kingdom.

This section explains some of the financial regulation in more detail.

Prudential Supervision of Insurance Companies

The Insurance (Prudential Supervision) Act 2010 aims to promote the maintenance of a sound and efficient insurance sector and promote public confidence. It establishes a system for licensing insurers, imposing prudential requirements on insurers, enforcing compliance with these requirements by the Reserve Bank of New Zealand, and conferring powers on the Reserve Bank to act in respect of insurers in financial distress or other difficulties.

Under the Act, every person who carries on insurance business in New Zealand is required to hold a licence issued by the Reserve Bank. A person who carries on insurance business in New Zealand without holding a licence commits an offence and is liable on summary conviction to imprisonment for a term of up to three months and/or to a fine of up to \$200,000 in the case of an individual, or to a fine of up to \$1 million in the case of a body corporate.

Whether an overseas insurer must be licensed in New Zealand is governed by whether the insurer is carrying on business in New Zealand under the Companies Act 1993. The test is not clear cut and is dependent on a number of factors about the way the business will be conducted in New Zealand. We have advised many overseas insurers about whether their business model requires them to be licensed.

If a licence is required, significant regulatory requirements must be met. We have successfully obtained licences for many insurers and we have assisted them with their on-going licence obligations.

Financial Regulation of Insurance Companies and Insurance Intermediaries

Insurance companies and insurance intermediaries need to be aware of the two-tiered framework for the regulation of financial services that is established by the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (**FSPA**) and the Financial Advisers Act 2008 (**FAA**).

The FSPA requires insurers and insurance intermediaries (amongst others) to register on a public register of financial service providers, and to join an approved dispute resolution scheme if financial advice is given to retail clients. Anyone giving financial advice about buying insurance must comply with the FAA and the FSPA, whether they are an intermediary or an underwriter.

Further, the Insurance Intermediaries Act 1994 governs insurance intermediaries. It protects consumers from any default by the intermediary, by deeming payment of premiums to the intermediary to be payment to the insurer, and any payment of claims to intermediaries to not be payment to the insured. It also requires insurance brokers to operate a separate trust account for holding clients' premiums payable to the insurer. It places restrictions on payments into and out of that trust account.

Insurance Law Reform Acts 1977 and 1985

These Acts reform some areas of the English insurance common law in New Zealand. Amongst many changes, they address the late notification of claims, the enforceability of non-causative exclusions and the need for insurable interest. We have considerable experience in the application of the Acts.

For more information on insurance visit the [Reserve Bank of New Zealand](#) and contact us.

There are likely to be significant reforms to insurance law in New Zealand in 2019, including legislative changes to principles of non-disclosure and misrepresentation.

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Primary Production

Primary production is the backbone of New Zealand's economy.

This section of the guide examines the core New Zealand primary industries. From dairy, meat and wool to the seafood industry; from fruit, vegetables, grains and seeds to grapes and wine; and lastly, the forestry environment.

Primary Production in New Zealand

Primary production – agriculture, aquaculture and fisheries, horticulture, silviculture (forestry), and viticulture (grape-growing) – is the backbone of New Zealand's economy. Historically, it has generated the bulk of New Zealand's export earnings and this is unlikely to change in the future, given the increasing global interest in securing food supply.

New Zealand's strength in primary production results from a combination of its climate and topography, its on-going commitment to scientific and technological research in this sector, and its geographical isolation. Its isolation, combined with biosecurity controls, means it is free from virtually all major pests and diseases that adversely impact on animal and plant production. The Ministry of Primary Industries (**MPI**) is responsible for matters relevant to this sector, including food safety (both domestically produced and imported foods), animal welfare, management of the wild fisheries resource, and (with the New Zealand Customs Service) biosecurity.

Agriculture

New Zealand is one of the world's most efficient agricultural producers, with a reputation of

being at the forefront in both agricultural practices and industry research. The agriculture industry, including its support and processing components, is New Zealand's largest industry, both in terms of contribution to gross domestic product (**GDP**) and in terms of employment.

Pastoral farming of dairy, beef, sheep and, to a lesser extent, deer occurs on over 10 million hectares of land across the length of the country. Stock is raised outdoors and mainly grass-fed (supplemental feeding occurs if conditions require this). A consequence of this is higher stock health and a lower risk of cross-infection than is the case with barn-raised stock. New Zealand is free of both foot and mouth disease and 'mad cow disease' (bovine spongiform encephalopathy, the disease that can cause variant Creutzfeldt-Jakob disease in people who eat (even cooked) meat from infected stock).

The National Animal Identification and Tracing programme (**NAIT**) forms part of the biosecurity and food safety systems. It is designed to link stock with people and a place, with a view to providing lifetime animal traceability. Registration and tagging became mandatory for cattle on 1 July 2012 and for deer on 1 March 2013.

Dairy

The dairy industry is New Zealand's biggest export earner with annual exports in excess of NZ\$12.4bn. Less than 5% of the industry's total production is consumed domestically. Historically, the New Zealand Dairy Board had a statutory monopoly on exporting dairy products, but this monopoly was removed in 2001 as a result of the Dairy Industry Restructuring Act 2001 (**DIRA**). DIRA permitted the merger of the New Zealand Dairy Board, the Kiwi Co-operative Dairy Company and the New Zealand Dairy Group, to form Fonterra Cooperative Group Ltd (**Fonterra**).

Fonterra is a co-operative owned by over 10,000 dairy farmers who supply raw milk to it for processing. Given it is by far the largest dairy processor in the country, regulations made pursuant to DIRA require it to supply up to 5% of its milk to other independent processors to ensure a contestable market for milk and other dairy products.

Fonterra exports a range of dairy products, including value-added products such as ingredients for the food industry. Much of its product is sold via GlobalDairyTrade, which is an auction platform for internationally-traded commodity dairy products. The auction platform is owned by Fonterra's subsidiary, Global Dairy Trade Holdings Limited. Since the auction platform was established in 2008, it has become the leading price reference indicator for the products traded.

Dairy farmers wanting to supply to Fonterra must acquire shares in it relative to their level of milk production, given it is a co-operative. The ability of dairy farmers to supply other processors (some of which

have a share requirement as they are co-operatives whilst some will require only a contractual supply agreement) generally will be dictated by the farm's proximity to the processing facility.

Meat and Wool

The exporting of meat and wool from New Zealand traces back to the 19th century. In 1882, the world's first commercially successful use of refrigerated shipping occurred when meat and butter was shipped on the *Dunedin* from the South Island to London. Today, meat (including offal and by-products, such as deer velvet) is New Zealand's second largest export earner behind dairy, earning in excess of NZ\$6.6bn in 2014. Exports predominately comprise beef and lamb, although some venison is also exported. Meat processors and exporters must be licensed. The Meat Industry Association of New Zealand (**MIA**) is a voluntary trade association representing New Zealand meat processors, marketers and exporters.

The majority of New Zealand's wool production is 'strong wool', which is used in making carpets. The rest is 'fine wool', particularly Merino, which is used in clothing fabrics.

Farming of other animals does occur in New Zealand, with pigs and poultry being farmed largely for domestic consumption, and goats and alpaca being farmed for both wool and meat consumption.

Aquaculture and Fisheries

The seafood industry divides into two parts, commercial fishing of wild fish stocks and aquaculture (farming fish and shellfish). Seafood exports were valued just under NZ\$1.794bn in 2016, placing it in the top ten of New Zealand's export earners.

Commercial fisheries mainly focus on finfish, although spiny lobster and paua (a shellfish) are also harvested. Fishing occurs in New Zealand's exclusive economic zone, which is the 4th largest in the world (being in excess of 4 million square kilometres).

The quota management system was introduced in 1986 to ensure the sustainability of the fisheries resource and around 100 species (or species groupings) are subject to quota. Commercial fishers own quota in fish stock. Quota is a property right representing the shares owned in fish stock that can be bought and sold (the quota itself cannot be fished against). Only New Zealand residents can own quota unless approval is obtained from the Overseas Investment Office (see [Inbound investment – the overseas investment regime](#)). Each year, commercial catch limits are set for each fish stock, the total allowable commercial catch (**TACC**). The quota determines how much of the TACC a commercial fisher can fish in a year, their Allowable Catch Entitlement (**ACE**). Once allocated for the year, the ACE can be separately traded from the quota. Fish caught under the ACE can only be sold to licensed fish receivers.

Fisheries officers enforce both commercial and recreational fishing regulations. Observers can be placed on commercial fishing vessels to monitor compliance. Penalties for breaching the regulations can be severe, including forfeiture of boats and fishing equipment. Foreign-owned fishing vessels operating in New Zealand waters are becoming increasingly regulated, with a need to be re-flagged to New Zealand by May 2016. This is intended to improve vessel safety, ensure fair treatment of crew and assist in managing the wild fish resource.

The aquaculture industry mainly produces greenshell mussels, king salmon and pacific oysters. All fish farming operations must be registered. Overall, aquaculture is a developing industry, although the need to obtain resource consents for the area to be farmed has slowed its growth.

Horticulture and Viticulture

Although New Zealand is known around the world for kiwifruit and sauvignon blanc (wine), the range of horticultural crops grown in New Zealand and related value-added products are very much wider:

FRUIT

Due to New Zealand's geography, this ranges from sub-tropical fruits in the north to cool climate fruits in the south. Fresh fruit exports, which exceeded NZ\$2bn in 2015, include kiwifruit, pip-fruits, exotics (such as persimmons) and berry-fruits. Exports of processed fruit are additional to this.

VEGETABLES

This sector has domestic retail sales of over NZ\$1bn a year and export earnings of around NZ\$0.6bn a year, for both fresh and processed produce (such as frozen peas and sweetcorn, tomato paste and purees).

GRAINS AND SEEDS

Grain crops are grown mainly for domestic consumption (by both people and stock), although small volumes of flour and malt-based products are exported. Seed production is an important part of the horticultural sector in terms of the development of new varieties to assist productivity (particularly grass varieties for pastoral farming). Also, due to the fact that the growing season alternates with the northern hemisphere growing season, seed

propagation occurs in New Zealand to supply the northern hemisphere market.

GRAPES AND WINE

The viticulture industry in New Zealand has grown rapidly over the last three decades. Sauvignon blanc secured New Zealand's reputation as a producer of premium wine and now pinot noir is furthering that reputation. Distinct wine-growing areas are recognised throughout the country, from Northland to Otago, with differing grape varieties being suited to these areas. Wine production is in the region of 320 million litres a year, of which over 58% is exported (mainly to the UK, Australia, the USA, and China). Wine that is not exported is subject to excise duty.

Generally, in order to export most horticultural crops or products, the grower must hold 'GAP' certification (or an equivalent), the exporter must be licensed, and, the produce must meet certain standards (for

example, fruit must be residue tested and meet the relevant 'MRLs' for the destination country, while wine must pass both laboratory analysis and a taste test).

Silviculture

The forestry industry in New Zealand is significant, as wood products usually are the country's third largest export earner. Exports include logs and wood chips, wood pulp, paper, paperboard, and other processed products.

The industry is based on sustainably managed exotic plantation forests. The most prevalent species planted is *pinus radiata*. Small plantations of Douglas fir, eucalyptus and various other softwoods and hardwoods exist. Over 1.9 million hectares is planted in exotic forest, with much of that land being unsuitable or marginal for arable or pastoral farming.

Additionally, more than 6.4 million hectares is covered by

native forests. The bulk of this land is under the control of the Department of Conservation as part of the conservation estate. Logging of native forests generally does not occur.

Plantation forests are owned either through the ownership of the underlying freehold land, or through various arrangements which give rights to the timber on land owned by others. These arrangements include Crown forestry licences, forestry rights, leases and cutting rights. A significant proportion of the plantation forests are owned by overseas investors, with management of the forestry asset contracted to local experts. Plantation forests are subject to the emissions trading scheme and to a production levy regime.

For more information on the primary production sector visit the [Ministry of Primary Industries](#) and contact us.

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Infrastructure

New Zealand has a well-developed legal framework that applies to infrastructure procurement and development. There are numerous business opportunities in New Zealand for those involved in infrastructure development or the provision of infrastructure assets.

General procurement processes and planning

Procurement of major public sector infrastructure projects generally is carried out on a contestable tender basis. There are a range of policies, guidelines and codes that govern procurement of infrastructure by government agencies. Among other things, the Government Rules of Sourcing (issued and administered by the Ministry of Business, Innovation and Employment) covers all aspects of acquiring and delivering goods, services and works.

The National Infrastructure Unit (**NIU**) is part of New Zealand's Treasury. Its role is to assist in the delivery of the Government's infrastructure objectives. A national infrastructure plan has been developed and the NIU has assisted with the introduction of public private partnerships into the New Zealand market.

Local government and entities owned by local government also play a significant role in the delivery and ownership of regional infrastructure.

Private sector procurers of construction are free to set their own 'rules' of procurement. These can become legally binding 'process' contracts unless expressly excluded in the documentation. However, both procurers and suppliers will

need to consider the legislation that regulates business activity, such as the Fair Trading Act 1986 and the Commerce Act.

Planning or resource management issues are almost always critical in the planning and implementation of major physical infrastructure projects.

Transport

New Zealand's geography, combined with a small but growing population, poses particular challenges and opportunities for the development of transport infrastructure.

The New Zealand Transport Agency (**NZTA**) is responsible for planning, operating and maintaining the state highway network in accordance with the Land Transport Management Act 2003. To obtain best value for money the NZTA outsources design, construction and maintenance of the highway network. Funding transport projects through the use of toll roads in New Zealand has not been widely adopted, with the NZTA currently operating three toll roads.

Local roads are owned and maintained by local councils (or in the case of Auckland, Auckland Transport, a company wholly owned by Auckland Council).

KiwiRail (a state owned enterprise) owns and operates the national rail network (and is the national rail operator for passenger and

freight). Urban rail in Auckland and Wellington is provided by rail operators contracted to local government organisations (that have access arrangements from the Crown and own certain infrastructure). Rail is regulated by the NZTA under the Railways Act 2005.

Water and wastewater

New Zealand has an abundance of water, although supply fluctuates according to area and season.

Drinking water and wastewater infrastructure generally is owned by local government or local government organisations in urban and semi-urban areas and by landowners in rural areas. It is regulated by a combination of bylaws, the Local Government Act 2002, the Resource Management Act 1991 and regulations, and the Health Act 1956 and regulations. There are strict restrictions on private ownership.

Irrigation is a key focus area for parts of New Zealand with a range of projects under development. The Government has indicated a willingness to invest in this area and has established Crown Irrigation, an entity to facilitate partnerships with the private sector.

Utilities

New Zealand has a deregulated electricity market made up of Transpower (a 'state owned enterprise'), which is the owner of the national grid and system operator, lines companies, electricity generators and retailers. Most generators are vertically integrated, owning significant retail businesses (commonly referred to as 'Generators'). The majority of electricity in New Zealand is generated from

renewable energy sources (hydro, geothermal and wind).

Transpower and the electricity lines businesses are natural monopolies and regulated by the price and quality control provisions of the Commerce Act 1986. Transpower is also subject to oversight by the Electricity Authority under the Electricity Industry Act 2010.

Almost all of the electricity generation in New Zealand is carried out by five 'Gen-tailers'. All five of these 'Gen-tailers' are listed entities, three of which are approximately 51% owned by the Government under its so called 'mixed ownership' model.

The wholesale electricity market is regulated by the Electricity Authority.

GAS

The gas industry in New Zealand is co-regulated by the Ministry of Business, Innovation & Employment (**MBIE**) and the Gas Industry Company, in accordance with the Gas Act 1992. Upstream exploration and production is governed primarily through the Crown Minerals Act 1991 (which is administered by MBIE) whereas the Gas Industry Company's regulatory oversight encompasses processing facilities, transmission, distribution, and wholesale and retail markets.

There are approximately 15 fields and wells that produce gas in New Zealand, which are all located in the Taranaki region. Shell Corporation and Todd – Energy owned subsidiaries control a large portion of New Zealand production, the majority of which comes from the Pohokura and Maui Fields. Gas is transmitted via two main pipelines owned by Vector Ltd and Maui Development Ltd respectively, but are operated on open access arrangements allowing other parties to ship gas through these pipelines.

There are also some smaller pipelines owned by various other companies, and all gas pipeline services are subject to information disclosure and default/customised price-quality regulation under Part 4 of the Commerce Act 1986.

The gas is then dispersed across the distribution networks owned by Vector, Powerco, Nova Gas, and GasNet who reticulate the gas into residential houses, offices, hospitals, factories, businesses, and community amenities.

Various rules and regulations govern the gas market, including each of the following:

1. Gas (Safety and Measurement) Regulations 2010: these prescribe general rules and requirements about gas safety, the point of supply, a certification regime for gas appliances, and two levels of offences and infringement offences.
2. Gas (Levy of Industry Participants) Regulations: these allow the Gas Industry Company to collect levies from the gas industry to fund its work.
3. Gas (Downstream Reconciliation Rules) 2008: these establish a set of uniform processes to enable the fair, efficient, and reliable allocation and reconciliation of downstream gas quantities.
4. Gas (Switching Arrangements) Rules 2008: these rules enable consumers to efficiently switch between competing gas retailers.
5. Gas Governance (Critical Contingency Management Regulations) 2008: these allow for plans to be made in case of gas outages and set out the obligations of certain parties before, during, and after a critical event.

TELECOMMUNICATIONS – BACKGROUND

The New Zealand telecommunications market began with the New Zealand Post Office, a key public enterprise which would eventually carry out banking and postal as well as telecommunications operations. In 1987, the government divided the New Zealand Post Office into three separate state-owned enterprises. One of these was the Telecom Corporation of New Zealand Limited (**Telecom**), a monopoly with ownership of the country's telecommunications network.

The telecommunications market was progressively deregulated from 1987 onwards in order to open the market up to competition. Telecom was privatised in 1990 and, over time, the market has become increasingly competitive as more providers have entered the market. In 2011, Telecom underwent a demerger to create Chorus Limited as a separate entity which now owns the majority of telephone lines and exchange equipment in New Zealand. This demerger was undertaken as a condition of Chorus winning the majority of contracts to deliver ultra-fast fibre broadband across New Zealand.

Presently, the main telecommunications providers in New Zealand in terms of the retail fixed-line market are Telecom (renamed to **Spark**), Vodafone, and CallPlus. Although there has been a decrease in demand for access to the fixed network over time (due to lower demand for copper lines), the rollout of ultra-fast fibre broadband is expected to counteract this trend. In terms of mobile telecommunications networks, Vodafone and Spark have been operating in the market since the 1990s and – along with newer

competitor 2degrees – are the only operators in New Zealand.

TELECOMMUNICATIONS – REGULATION

The primary statutory provisions regulating the telecommunications sector are the Telecommunications Act 2001 (**Telecommunications Act**) and the regulations made under it. These regulate the supply of certain telecommunications services and are implemented, monitored, and enforced by the Commerce Commission (**Commission**) with the aim of promoting competition in telecommunication markets to bring long-term benefits to consumers. The Commission must monitor competition and the performance and development of telecommunications markets and may conduct inquiries, reviews, and studies into any matter relating to the telecommunications industry. Additionally, the Telecommunications Act establishes a Telecommunications Commissioner – a member of the Commission that is responsible for making determinations, pricing reviews, and reporting to the Minister of Telecommunications where required. There is a range of other legislation that indirectly relates to telecommunications

in New Zealand such as the Fair Trading Act 1986, the Privacy Act 1993, and the Broadcasting Act 1989. The Radiocommunications Act 1989 is also relevant, as it regulates the New Zealand radio spectrum.

We note that a review is currently being undertaken of the Telecommunications Act 2001, which will assess whether the current regulatory framework is the optimal one for competition, investment, and innovation after 2020.

Hospitals, schools and other significant buildings

The procurement of large scale public use buildings generally will fall within the scope of the NIU. This includes prisons, most hospitals and most schools. However, there may be some private sector procurement opportunities in this area (e.g. for private hospitals) from time to time.

Other relevant legislation

All construction in New Zealand is subject to the Building Act 2004. All building work must be undertaken in accordance with the Building Code (set out in the Building Regulations 1992) and a building

consent (among other things) from a local council is often required (see [LINZ](#) for more information).

New Zealand operates a licensed builder regime (although currently its focus is on residential units). As well as undertaking inspections, local councils require certificates from designers and constructors that the work complies with the Building Code and any issued building consents.

New Zealand operates a security of payment regime under the Construction Contracts Act 2002. Among other things, 'paid when paid' clauses in subcontracts are banned and the regime requires principals to respond in a specified way to valid payment claims lodged by the contractor (otherwise the full amount claimed becomes a debt and must be paid). Retentions are required to be held on trust.

Improving health and safety is currently a major focus in the construction industry and New Zealand generally. WorkSafe New Zealand administers the New Zealand Work Health and Safety regime.

For more information on public infrastructure visit [Infrastructure Commision](#) and contact us.

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About DLA Piper New Zealand

DLA Piper New Zealand is part of DLA Piper, a global law firm operating through various separate and distinct legal entities. Further information can be found at www.dlapiper.com

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