

THE NEW ZEALAND TRUST

may be the way to go for property investment?

The New Zealand Inland Revenue Department classifies trusts as being "foreign", "non qualifying/non complying" or "qualifying/complying".

A trust established in New Zealand by non resident persons with no New Zealand resident beneficiaries will be a foreign trust. It will only be taxed in New Zealand on its New Zealand sourced income.

A qualifying trust is one that is set up by a New Zealand resident person and which has primarily New Zealand resident beneficiaries. It will be taxed in New Zealand on all of its worldwide income.

A non qualifying trust is a foreign trust where the settlors/beneficiaries have moved to New Zealand. In these circumstances the trust needs to elect to become a qualifying trust to avoid undesirable tax consequences.

Assuming none of your beneficiaries live in New Zealand and that you establish the trust yourself, then it will be a foreign trust.

It is suggested that you should approach your accountant in your tax domicile who can advise you with respect to the necessity (or not) of declaring the overseas (NZ) income in your particular tax return. It is very important that you satisfy yourself in this regard as there may be capital gains issues that could apply.

To be a New Zealand located trust the majority of the trustees need to reside in New Zealand.

We frequently use a trustee company for this purpose. We have established numerous trusts for Australian residents where the corporate trustee has a New Zealand shareholder and the Australian resident is the director. The company is incorporated in New Zealand to make the trust a New Zealand trust although as noted above for New Zealand tax purposes it is treated as a "foreign trust" and therefore only subject to New Zealand tax on New Zealand derived income. The shareholder is a trustee company incorporated in New Zealand thus avoiding the need to comply with New Zealand financial reporting requirements which apply to a New Zealand company with foreign shareholders.

We can attend to the preparation and filing of NZ tax returns and the preparation of accounts. New Zealand Government consents should not be required unless you purchase a property on a small offshore island or in certain circumstances where it fronts on to a lake or stream.

If you would like more information please contact [Tony Fortune](#) or [Bill Duncan](#)