



08 BUSINESS

EVERYTHING YOU NEED TO KNOW
ABOUT CONDUCTING BUSINESS
IN NEW ZEALAND



BUSINESS THE NEW ZEALAND WAY

BUSINESS

The three main forms of business in New Zealand are:

- sole traders
- partnerships
- companies.

Sole traders

A sole trader owns all the assets of the business and is solely responsible for all the business's risks, obligations and debts.

Business partnerships

If you want to operate a business with other people in New Zealand, you can establish an ordinary or special partnership under the guidelines established by the *Partnership Act 1908*.

Companies

The *Companies Act 1993* provides the basic rules for establishing and operating a limited liability company in New Zealand. Any person may, either alone or together with another person, apply for registration of a company.

“AT FIRST WE THOUGHT OF
JUST GROWING PROTEAS
AS A HOBBY BUT SOON
REALISED THERE'S REAL
EXPORT POTENTIAL.”

SOUTH AFRICAN MIGRANTS,
ANNATJIE AND WILLIE STEENKAMP.



What constitutes a company?

- A registered name
 - At least one share, one shareholder and one director
 - A registered office where the company records are kept
 - An address for service where legal documents can be served
 - An address for communication which can be a PO Box.
- A company may have a constitution and, in certain circumstances, a constitution can be adopted to alter the Act's rules to suit a company's individual requirements. Constitutions are optional and if a constitution is not adopted the company is governed by the Companies Act 1993.

- A company is a legal entity in its own right, separate from its shareholders, and continues in existence until it is removed from the Companies Register.
- A company may enter into contracts with its shareholders.
- Under the *Financial Reporting Act 1993* only companies that are 'reporting entities' need to prepare and register financial statements. Reporting entities are companies that issue shares, overseas companies, subsidiary companies or companies with at least one subsidiary. Companies with assets valued at NZ\$10 million, \$20 million annual turnover, or 50 or more full-time employees must also file financial statements.
- Companies that offer securities, including shares, to the public, and overseas-owned or overseas-controlled companies, must be independently audited.
- The company is liable in full for all obligations that it incurs. It is the liability of the shareholders that is limited. They are only liable for any unpaid money owing on their shares (subject to any personal guarantees given.)
- A company has access to the Australian market under CER (Australia New Zealand Closer Economic Relations Trade Agreement).

Freephone: 0508 266 726 (0508 COMPANIES)

Visit: www.companies.govt.nz



BUSINESS CONDUCT

Business in New Zealand is not strictly controlled. However, all businesses have to follow some standard principles. Business conduct is overseen by three government agencies – the Commerce Commission, Securities Commission and Takeovers Panel.

Commerce Commission

The Commission is an independent organisation. It promotes competition so that New Zealanders benefit from competitive prices, better quality goods and greater consumer choice. It is responsible for ensuring that businesses meet the provisions of a number of laws including the *Commerce Act*, *Fair Trading Act*, *Credit Contracts and Consumer Finance Act*, *Electricity Industry Reform Act*, *Dairy Industry Restructuring Act* and *Telecommunications Act*.

The Commission undertakes a range of activities including:

- investigating and prosecuting breaches of the *Commerce Act*, *Fair Trading Act*, *Credit Contracts and Consumer Finance Act*
- adjudicating on proposed business acquisitions or mergers
- regulating competition in the telecommunications, dairy, gas and electricity industries.

The Commerce Act 1986

The *Commerce Act* promotes competition in markets within New Zealand by:

- prohibiting conduct that restricts competition
- prohibiting the purchase of a business's shares or assets if that would lead to less competition in a market
- authorising practices that lessen competition if this will benefit the public.

Industry Regulation

The Commission is responsible for the specific regulation of infrastructure industries, such as telecommunications, electricity and gas.

Regulation of the telecommunications industry involves defining principles for access to telecommunications, the resolution of disputes about pricing, and the monitoring of costs and allocation between parties.

The Commission's role includes enforcement of a specific section of the *Commerce Act* which provides the framework for a targeted control regime for electricity lines businesses. The Commission conducts investigations, facilitates control decisions and provides for authorisations in respect of prices, revenues and quality standards of controlled goods and services.





"YOU'VE GOT TO ADAPT AND
DO THINGS IN NEW WAYS.
WE SELL A TRADITIONAL
CHINESE PRODUCT BUT MOST
OF OUR CUSTOMERS
ARE KIWIS."

CHINESE MIGRANT, LINDA ZHANG -
OWNER, CHINESE MEDICAL SHOP.

The Fair Trading Act 1986

The *Fair Trading Act* protects the public from misleading conduct by businesses. The Act applies to all aspects of the promotion of goods and services – from advertising and pricing to sales techniques and finance agreements.

The Act prohibits:

- misleading conduct
- misleading information about employment, goods or services
- false claims about the price, standard, quality, history or origin of particular goods and services
- pyramid schemes.

The Act also provides for consumer information and product safety standards.

The Credit Contracts and Consumer Finance Act 2003

The Act covers:

- the obligations on creditors to disclose all necessary information to consumers
- the ability of consumers to seek reasonable changes to credit contracts on the grounds of unforeseen hardship
- the calculation of fees and charges.

The Act also allows the Court to reopen contracts if they are oppressive.

Business and consumer complaints

Suspected instances of anti-competitive business practices can be reported to the Commerce Commission Contract Centre. The Centre gathers information on consumer complaints and investigates if necessary. A range of handy booklets on business and consumer topics is also available. There is no charge for these services.

Freephone: 0800 943 600

Visit: www.comcom.govt.nz

Securities Commission

An independent body established under the *Securities Act 1978*, the Commission promotes the efficient and cost-effective regulation of New Zealand's capital markets. The Securities Commission maintains oversight of securities market activities including offers of securities to the public. It has oversight of securities exchanges and has powers to investigate insider trading, substantial security holder disclosure, and disclosure by listed companies and their directors. The Commission recommends reform of securities law. It cooperates with securities commissions in other countries to combat cross-border securities fraud.



**The Securities Act 1978**

The Securities Act established the Commission, and sets out its functions and powers. The Act, together with the Securities Regulations, defines 'securities' and the requirements for offers of securities to the public. These include the information that must be disclosed to investors both before they invest and on an ongoing basis.

The Securities Markets Act 1988

This Act regulates various activities on securities markets including registration of stock exchanges, regulation of insider trading, market manipulation, disclosure by listed companies and their directors, disclosure of changes to substantial securities holdings, investment adviser disclosure and dealing in futures contracts.

Takeovers Panel

Established as a body corporate under the *Takeovers Act 1993*, the Panel is responsible for both the operation of the *Takeovers Code* and promoting public awareness of issues relating to takeovers.

The Takeovers Code Approval Order 2000

The *Takeovers Code* ensures that takeovers take place in an orderly way. It establishes standards of proper disclosure and requires that all shareholders be treated equally.

Visit: www.takeovers.govt.nz

Health and safety

The Department of Labour is the main organisation responsible for setting occupational health and safety standards. The Department of Labour provides guidance to employers on issues such as:

- hazard identification and control
- employee training and supervision
- emergency management.

It also publishes a range of booklets on health and safety in the workplace designed for both employers and employees.

For further information, visit: www.osh.dol.govt.nz

The Health and Safety in Employment Act 1992

This legislation aims to prevent harm to employees while they are at work. It requires employers to ensure that employees work in a safe and healthy environment.

Employment Relations

The Department of Labour provides information on all aspects of employer/employee responsibilities under the *Employment Relations Act 2000*.

The Department's website has information about all aspects of employer/employee relationships. It provides a handy series of booklets in English and other languages, dealing with the concept of good faith relationships and explaining how the various provisions of the *Employment Relations Act 2000* influence employer/employee responsibilities.

All publications are downloadable in whole or in part.

If problems arise in an employment relationship, employers can get help from the Department of Labour.

Freephone: 0800 20 90 20

or visit: www.ers.dol.govt.nz

The Employment Relations Act 2000

The *Employment Relations Act 2000* recognises that good employment relationships are built on good faith behaviour. It promotes collective bargaining through unions, but also protects the rights of individuals who choose not to join a union and who wish to negotiate their own individual Employment Agreement.

For further information on employer/employee relations, see *Work*

Resource management

If your business activity either uses or affects a natural resource, you may need to apply for a resource consent from your local authority (see *Government*). Application forms are available from your local council. You will need to provide an assessment of the effects your business activity will have on the local environment. Land use consents are dealt with by city and district councils. Consents for the use of air, water or coastal areas are managed by regional councils.

The Resource Management Act 1991

This Act provides for the sustainable management of New Zealand's natural resources and establishes compliance standards for both private and business activities.

NEW ZEALAND'S STOCKMARKET

New Zealand Exchange Limited (NZX)

New Zealand Exchange Limited (NZX) was established as a company on 31 December 2002 after members of the New Zealand Stock Exchange (NZSE) voted to demutualise the organisation. NZX is now a revenue-generating corporate. Through its listing rules, NZX is responsible for the frontline regulation of companies listed on its three securities markets: the NZSX, NZDX and NZAX Markets. NZX also regulates the conduct of a wide range of market participants, including NZX Firms (sharebroking firms), dealing and clearing participants, and futures and options dealers. In June 2003, NZX listed on its own NZSX Market. A special division of NZX Discipline (a body set up to determine breaches of NZX's rules) regulates the conduct of NZX as a listed company.

Trading on NZX's markets is conducted through NZX Advisors who are accredited by NZX to give investment advice and enter orders into the market. NZX operates a screen-based trading system called FASTER (Fully Automatic Screen Trading and Electronic Registration) that replaced the trading floors in 1991. NZX has a user-pays data service that provides a number of products based on trading data. Email: data@nzx.com for more information. The NZX website contains a directory of NZX Firms (sharebroking firms) and a useful 'Education' section that includes information on how to get started in sharemarket investing.

Visit: www.nzx.com

Listing on NZX's markets

To be listed on the NZSX Market a company must have:

- an existing board of directors
- at least 500 shareholders who are members of the public and who together hold at least 25% of the shares
- an estimated market capitalisation (market value) of at least \$5 million.

To be listed on the NZDX Market a company must have:

- at least 500 security holders who are members of the public, who together hold at least 25% of the debt securities
- an estimated market capitalisation (market value) of at least \$5 million.

To be listed on the NZAX Market, designed for smaller companies, a company must have:

- an existing board of directors
- at least 50 shareholders.

Once a company is listed on any of NZX's markets, it must follow the NZX Listing Rules that apply to the relevant market. These rules are designed to protect shareholders and investors and ensure companies comply with continuous disclosure obligations.

THE NZX LISTING RULES
GOVERN THE CONDUCT OF
LISTED COMPANIES
AND ARE DESIGNED TO
PROTECT INVESTORS.



BUSINESS ORGANISATIONS

Finding helpful information and expert advice is very important when entering a new business environment. In these early stages, the following organisations may prove particularly helpful.

BIZ centres and business.govt.nz

The Government-funded BIZ centres provide help to improve the management skills and ability of small- and medium-sized businesses. The range of services includes assessment, skills training, coaching and networking. These services are provided by a wide range of affiliated organisations.

The business.govt.nz website provides a comprehensive range of information, including a directory of business and industry contacts.

The business.govt website is at www.business.govt.nz

To contact the face-to-face BIZ service call 0800 424 946, or visit one of the 30 BIZ offices located around New Zealand. To find your local office, visit the New Zealand Trade and Enterprise website or look in The White Pages under BIZ.

Technology New Zealand

Technology New Zealand helps companies undertake research and development projects which result in new products, processes or services. A range of research grants is available for companies with high growth, global potential.

Freephone: 0800 832 469 (0800 TechNZ) or visit:
www.frst.govt.nz

New Zealand Trade and Enterprise

New Zealand Trade and Enterprise is the Government's overseas trade and business enterprise development agency.

It provides market intelligence and market development services through a network of offices in New Zealand and around the world. This global capability is aligned with local strategies to develop sectors from a national and regional perspective, while assisting individual firms to improve their capabilities to take up these new opportunities.

Freephone: 0800 555 888 or visit: www.nzte.govt.nz

Economic Development Association of New Zealand (EDANZ)

The Association represents more than 70 Economic Development Agencies and Economic Development Units run by regional, district and city councils. These agencies and development units provide a range of services for business migrants.

Visit: www.edanz.org.nz

New Zealand Chambers of Commerce & Industry (NZCCI)

The Chambers of Commerce are voluntary, membership-based organisations. Membership is open to all types of businesses, and this is a particularly effective way to establish new business contacts and find out about local business conditions. Chamber services include:

- advocacy
- business education
- international trade services
- issuing Carnets and Certificates of Origin
- business advice/mentoring
- social functions for meeting/networking with new members and developing business.





BUSINESS TAX

Tax is an important part of being in business. Getting the right information and advice and setting up the right systems from the start will help your business meet its obligations.

Basic business tax rules

Businesses in New Zealand must follow certain tax laws. We also discuss some of these in our booklet *Government*. We recommend, if you have not already done so, that you read the outline of the taxation system provided in *Government* before proceeding with this section.

There are a number of taxes that businesses will or may be involved with. For all of these taxes your business will need to:

- have an Inland Revenue (IRD) number
- complete and send various tax return forms to Inland Revenue each year
- make a number of tax payments each year
- keep sufficient records, in English, so you can complete the various tax returns and calculate any taxes to pay or to be refunded to you.

You may also need to:

- charge Goods and Services Tax (GST) to your business's customers
- deduct tax from anyone your business employs in New Zealand.

Your IRD number

If you already have an IRD number for non-business income and you are a sole trader, you use the same number for your business. You would also use this number if, as a sole trader, you need to register either for GST or as an employer.

If you are going to operate your business as a company, partnership or trust, you will need to get a separate IRD number. See *Government* pages 13-14 for information on getting an IRD number.

Income tax

You will need to complete an income tax return each tax year. The tax year for most businesses is 1 April to 31 March. As a New Zealand resident you will be taxed on your worldwide income. When you complete a tax return, you must include your income from all sources (including that from overseas).

If you are operating your business as a company, partnership or trust, you will need to file a separate tax return for your business.

Income tax is payable on the net profit from your business, which is the income earned less any business expenses. Some expenses that can be deducted from the income are:

- rent, rates, power and phone costs for the business premises
- purchases of raw materials or trading stock
- business vehicle and transport costs
- wages paid to employees
- stationery and supplies for the business.

However, certain types of deductions are not permitted. These include deductions from your business income for:

- personal expenses
- money drawn as personal remuneration.

Paying income tax

Income tax rates can vary from time to time. For the tax year from 1 April 2009 to 31 March 2010 the rates are:

Taxable Income	PAYE rate for every \$1 of taxable income (excluding ACC earners' levy)
up to \$14,000	12.5 cents
\$14,001 to \$48,000 inclusive	21 cents
\$48,001 to \$70,000	33 cents
\$70,001 and over	38 cents
No notification	45 cents
Company tax (from 2009)	30 cents

There are rebates available to sole traders and partners in a partnership that reduce the tax rates if their income is under \$38,000.

A business usually needs to pay income tax through the year in instalments (known as provisional tax). When you send in your tax return, you pay or receive the difference between what you have already paid in provisional tax and the actual tax payable for the year.



Goods and Services Tax (GST)

GST is New Zealand's form of indirect value-added tax. It is a tax on the goods and services provided by a GST-registered person in their business. It is charged at the rate of 12.5% to the person (including other businesses) who buys the goods or services. It is not a tax on the business.

You must register for GST if you carry out a taxable activity and if your turnover:

- was over \$60,000 for the last 12 months, or
- is expected to go over \$60,000 for the next 12 months (This equates to \$5,000 per month. If your turnover is \$5,000 per month and you expect to maintain that level all year, you'll need to register for GST.), or
- was less than \$60,000, but you include GST in your prices, for example taxi drivers who have included 12.5% in their taxi fares.

You can choose to register for GST even if your annual turnover is less than \$60,000. This is referred to as voluntary registration. When registered, the business completes regular GST returns and pays or receives the difference between the GST charged and GST paid on business expenses. If a business is not registered for GST, it cannot charge or claim back GST.

Some goods and services, such as rent from domestic accommodation and income from financial services, are exempt from GST.

Employing people

Your business is an employer if it:

- hires someone to work as part of your business
- controls the way in which the person works
- supplies any equipment for that person to use when working for you.

Your business will need to register with Inland Revenue as an employer and make pay-as-you-earn (PAYE) and other deductions (such as student loan repayments) from its employees' wages each pay day.

Each month your business lets Inland Revenue know who its employees are, how much they earned and what was deducted from their wages, and pays those deductions to Inland Revenue.

Your business will also need to keep wages records, such as a wage book.





"BUSINESS HERE IS NOT JUST ABOUT WORKING HARD. YOU'VE GOT TO HAVE THE ABILITY AND WILLINGNESS TO ADAPT. WE'VE ADJUSTED OUR CUISINE TO SUIT LOCAL TASTES."

HONG KONG MIGRANT, LAWRENCE CHAN -
RESTAURATEUR.

Getting help

Inland Revenue has all the information your business needs on tax.

Inland Revenue's website, www.ird.govt.nz, has information about starting up and running a business.

Inland Revenue also offers a free business tax information service to help new businesses meet their tax obligations. You can find out more about this service and make an appointment through Inland Revenue's website, or by freephone: 0800 377 774 when you arrive in New Zealand.

You can also get Inland Revenue's book *Smart Business – an introductory guide for businesses and non-profit organisations* (IR 320) from the website or by phoning:

- +64 4 978 0779 from outside New Zealand
- 0800 377 774 when you are in New Zealand.



Remember, keeping good records will help your business meet its tax obligations, and means your business can deduct the right expenses from its income.



"THERE'S NO SOCIAL
CLASS SYSTEM AND YOU
HAVE THE CHANCE TO
TAKE LIFE IN YOUR HANDS.
NEW ZEALANDERS ARE
INVIGORATING, POSITIVE
AND CREATIVE."

ENGLISH MIGRANT, RAY THOMPSON –
SCREENWRITER AND PRODUCER.

WEBSITES AND NEW ZEALAND FREEPHONES

NEW ZEALAND NOW

www.newzealandnow.govt.nz

Government site that links you to all the information that you need to know about living and working in New Zealand.

IMMIGRATION NEW ZEALAND

www.immigration.govt.nz

Official site of Immigration New Zealand.

Comprehensive information on all aspects of New Zealand immigration policy and procedures. All policy guidelines and most application forms can be downloaded.

GOVERNMENT SITES

www.govt.nz

The official gateway to New Zealand Government online.

www.acc.co.nz

Accident Compensation Corporation

Administers New Zealand's accident compensation scheme which provides personal injury cover for all New Zealand citizens, residents and temporary visitors.

For Workplace Injury Prevention information, freephone: 0800 844 657 (0800 THINKSAFE)

For information about Employer Levies, freephone: 0800 222 776

www.business.govt.nz

Government website with compliance and other information for small to medium sized businesses.

To contact a BIZ Centre call 0800 424 946

www.companies.govt.nz

New Zealand Companies Office

Registers all new companies. Their database includes comprehensive company records which are available to the public; however, some searches incur a small fee.

Freephone: 0508 266 726 (0508 COMPANIES)

www.comcom.govt.nz

Commerce Commission

Responsible for the Commerce, Fair Trading, and Credit Contracts and Consumer Finance Acts. A range of handy guides is available free. These explain how individual Acts apply to particular business operations.

Freephone: 0800 943 600

www.consumeraffairs.govt.nz

Ministry of Consumer Affairs

Works with consumers and businesses to achieve a fair and informed marketplace. Good advice about the Fair Trading and Consumer Guarantees Acts.

www.dol.govt.nz

Department of Labour

Comprehensive information on all aspects of work in New Zealand. Publishes a useful range of free booklets on such topics as employment relations and occupational health and safety. Many can be downloaded from the site.

Freephone: 0800 20 90 20

www.frst.govt.nz

Foundation for Research Science and Technology

Searchable site providing comprehensive technological advice and assistance. Provides details of government-funded business assistance schemes.

www.hrc.co.nz

Human Rights Commission

An independent agency responsible for investigating and resolving complaints about discrimination and other human rights issues.

Freephone: 0800 496 877 (0800 4 YOUR RIGHTS)

www.ird.govt.nz

Inland Revenue

For all information on business tax rules, including IRD numbers and GST.

Freephone: 0800 377 774

www.maf.govt.nz

Ministry of Agriculture and Forestry

Import and export regulations and biosecurity issues.

www.med.govt.nz

Ministry of Economic Development

Information about business law, company registration and also advice for consumers.

www.mfe.govt.nz

Ministry for the Environment

Reports on the state of the environment. Day-to-day environmental management is handled by local government. Also provides useful publications on hazardous substances and land issues.

www.seccom.govt.nz

Securities Commission

Facilitates capital investment in New Zealand in accordance with the Securities Act.

www.takeovers.govt.nz

Takeovers Panel

For information on the Takeovers Code.

www.nzte.govt.nz

New Zealand Trade and Enterprise

Government agency responsible for overseas trade and business enterprise development. For the Enterprise Hotline, freephone: 0800 555 888

SSNZ

SSNZ (Settlement Support New Zealand) is a government funded initiative that provides a local point of first contact for new migrants, in 19 locations throughout the country. Think of it as, "Phone a friend".

SSNZ is a FREE service for new migrants, linking you to the information you need.

PHONE 0800 SSNZ4U (0800 776 948).

VISIT WWW.SSNZ.GOV.NZ



GENERAL SITES

www.businessnz.org.nz

Policy and advocacy wing of regional business associations.

www.edanz.org.nz

Economic Development Association of New Zealand

Provides links to regional associations that offer a range of services to business migrants.

www.lgnz.co.nz

Local Government New Zealand

For information on New Zealand's local government and links to your council.

Local councils are also listed in the front of the White Pages on the 'Local Government Services' page.

www.nzx.com

New Zealand Exchange

Lists current stock prices and New Zealand Exchange rules.

www.consumer.org.nz

Consumers Institute of New Zealand

Up-to-date guide to prices and consumers' rights and issues.

Membership fee required.

www.ubd.co.nz

A comprehensive directory, listing businesses, products and trade suppliers.

Freephone: 0800 823 225

www.yellowpages.co.nz

Telephone listings for New Zealand businesses.

Please note: Freephone numbers do not accept international calls.

Telephone directories

In New Zealand telephone directories are referred to as the *White* and *Yellow Pages*. These terms are used throughout this guide.

The *White Pages* lists residential and business numbers in alphabetical order. It also includes special sections on Government and Medical services.

The *Yellow Pages* is a classified business directory categorised by service or product type.

There are *White* and *Yellow Pages* for each region – there is no national directory.

For national listings, visit: www.whitepages.co.nz or www.yellowpages.co.nz

