

TAX IMPLICATIONS OF BUYING PROPERTY IN NEW ZEALAND

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New Zealand vehicles

- Company (includes unit trusts)
- Partnership / co-ownership / JV
- Qualifying trust
- Portfolio investment entity
- Limited partnership (law this year)

New Zealand taxes

- Corporate income tax rate 33%.
Likely to reduce to 30% from 1 April 2008
- GST 12.5%
- No stamp duty

Withholding taxes

- Interest:
 - associated party debt: 15%,
reduces to 10% under treaties
 - non associated party debt:
2% approved issuer levy
option

Withholding taxes continued...

- Dividends:
 - 15% for imputed dividends or under treaties
 - underlying foreign tax credit regime limits aggregate tax on tax paid profits to 33%
 - moves to reduce rates, starting with NZ/Aust treaty

Interest deductibility

- Interest incurred by a company automatically deductible subject to thin cap limits
- Other entities need nexus to income or income earning business
- Thin cap applies to entities 50% or more owned by a single non-resident (plus associates)

Interest deductibility continued...

- Current thin cap ratio is maximum 75% debt: assets, including associated and non-associated party debt
- Thin cap rules subject to review

Tax on exit

- No comprehensive CGT
- Property sales can be taxable if acquired with a purpose of resale/associated with a developer etc
- Treaties can prevent NZ taxing proceeds from share sales