

DOING BUSINESS IN

# NEW ZEALAND



**HLB MANN JUDD**  
ADVISORY AND ACCOUNTING

## FOREWORD

This guide has been prepared for the use of clients, partners and staff of HLB member firms. It is designed to give some general information to those contemplating doing business in New Zealand and is not intended to be a comprehensive document. You should therefore consult us before taking further action. HLB and member firms cannot be held liable for any action or business decision taken on the basis of information in this guide.

Laws in New Zealand that regulate businesses and taxes can be complex. Therefore, we would advise you to consult an HLB member firm in New Zealand before taking any specific action.

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## ABOUT HLB

Formed in 1969, HLB is a global network of independent professional advisory and accounting firms. HLB has member firms in 156 countries who, collectively, have 40,831 staff in 1,128 offices. Member firms provide clients with a comprehensive and personal service relating to auditing, taxation, accounting, and general and financial management advice.

Up-to-date information and general assistance on matters can be obtained from any of the member firm partners listed in this guide or from the Global office in London.

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WELLINGTON, NORTH ISLAND

## GENERAL INFORMATION



### GEOGRAPHY

New Zealand is situated in the South West Pacific and being just west of the International Date Line it is the first sizeable nation to start each new day. The country is comprised of several islands with a combined area of some 268,680 square kilometres. It is a land of great natural beauty and contrasting geography with a temperate climate and ample rainfall. Mountain ranges and hill country dominate much of New Zealand's landscape and one of the most striking features in the South Island is the Southern Alps. These mountains, which rise to nearly 4,000 metres, along with fiords, glaciers, lakes and coastal plains add to the variety of South Island scenery. In the North Island hot springs, geysers and mud pools form part of the volcanic system centered around Rotorua.



### POPULATION

At the time of publication, New Zealand's estimated population was approximately 5,123,000, most of whom live in the four main cities, i.e. Auckland and Wellington in the North Island and Christchurch and Dunedin in the South Island.

Approximately 16.5% of the population are of Maori origin, 3.9% are Samoan, 4.9% are Asian, 4.7% Indian, 64.1% are New Zealand European and 5.9% not further defined. New Zealand's largest city is Auckland with a population of over 1.6 million people.

As a comparatively young nation, New Zealanders pride themselves on being innovative people with strongly held social values such as support for conservation, justice, social welfare, sporting and cultural activities. They require a high degree of equity and integrity from political and business leaders and, as a result, New Zealand has a very stable political climate.



### CURRENCY AND LANGUAGE

New Zealand has a decimal system of currency, the unit being the dollar, which is divided into 100 cents.

New Zealand does not have Currency Exchange Controls.

English and Maori are the official languages but, as a result of considerable immigration in the last 20 years, many foreign languages are spoken by ethnic community groups.

New Zealand English does not differ significantly from other forms of English, although many colloquial expressions are unique to New Zealand.



### NEW ZEALAND LAW

The legal system is reliant upon common law and statute. New Zealand's common law has developed from and is reliant upon English law principles, however many common law principles have been codified by statute.

A Disputes Tribunal is available as a low-cost alternative for settling small claims.

The Court system is hierarchical in nature. Trials are conducted in either the District Court (the lower jurisdiction) or the High Court. Appeals may be made to the Court of Appeal and then ultimately to the Supreme Court. Traditionally the ultimate authority was the Privy Council in London but this was abolished in March 2004.



### ECONOMY AND ECONOMIC ARRANGEMENTS

New Zealand has a relatively deregulated and open economy. New Zealand's economic wealth has traditionally come from agriculture, fishing and forestry but increasingly manufactured goods and services make a major contribution to the export trade. Tourism and education for foreign students are also important sectors of the economy.

Principal trading partners:

- Exports - Australia, Japan, USA, UK, Republic of Korea, China
- Imports - Australia, USA, Japan, Republic of Korea, Germany, China

New Zealand is a proponent of free trade. It has a special trading relationship with Australia (CER), is a member of the World Trade Organisation, a signatory to the General Agreement on Trade and Tariffs (GATT), a member of Asia Pacific Economic Co-operation (APEC) and a signatory to the Kyoto protocol. A free trade agreement with China was signed in 2008.

The Reserve Bank operates monetary policy to maintain price stability, promotes the maintenance of a sound and efficient financial system and meets the currency needs of the public.



### GOVERNMENT

New Zealand is a constitutional monarchy with Queen Elizabeth II as its sovereign head of state. New Zealand does not have a constitution that is embodied in a single document or Act of Parliament. The constitutional law of New Zealand is contained in legislation, case law and unwritten conventions having their origins in English law. Significant statutes in this regard are the Constitution Act 1986 (that governs roles and powers of the Sovereign, the Executive, and members of Parliament and protects the judiciary from removal) and the New Zealand Bill of Rights Act 1990 (that provides for the rights and freedoms of individuals). The Treaty of Waitangi 1840 is also viewed as a founding document between Maori and the Crown, with its principles enshrined in legislation.

Constitutional power is vested in the Crown, represented by the Governor-General. All legislation that is approved by Parliament must receive the assent of the Governor-General in order to be given legal effect.

Legislative power is vested in a unicameral parliamentary system with representatives elected every three years to one central government. Mixed member proportional representation (MMP) was introduced in 1996.

Executive power is exercised by the Cabinet, formed by the party that controls the majority of votes in Parliament.

## INVESTMENT FACTORS

### OVERSEAS INVESTMENT OFFICE

The Overseas Investment Office (OIO) administers the Overseas Investment Act 2005. An 'overseas person' (neither a New Zealand citizen nor ordinarily resident) must obtain consent to invest in "significant" assets in New Zealand. A company, partnership, joint venture or Trust may be an overseas person. Significant assets relate to:

- (a) Businesses or property worth more than \$100 million;
- (b) Sensitive land or an interest in sensitive land;
- (c) Fishing quotas or an interest in fishing quotas;

The Office reports to the Treasurer.

The OIO placed greater restrictions on who can buy property in New Zealand on 22 October 2018. Most overseas people are now unable to buy homes in New Zealand (regardless of whether they already own property here), but some can request consent from the OIO. You do not need consent if:

- (a) You are a New Zealand, Australian or Singapore citizen; or
- (b) You have a New Zealand, Australian or Singaporean Permanent Resident Visa and live in New Zealand; or
- (c) You have a New Zealand Resident Visa and live in New Zealand.

### QUEENSTOWN, SOUTH ISLAND



## TYPES OF BUSINESS ORGANISATIONS

### PRINCIPAL FORMS OF BUSINESS

In New Zealand the most common principal forms of business are the Limited Liability Company and the Trust.

A foreign corporation may incorporate a local subsidiary or register the foreign corporation and operate a branch office. Each type of business organisation chosen has advantages and disadvantages regarding liability, tax treatment, reporting, documentation and legal requirements. Choosing the right structure is therefore an important decision and we recommend that you seek professional advice before setting up in New Zealand.

### COMPANIES

Companies in New Zealand currently operate under the Companies Act 1993.

A company may be incorporated, after its name application has been approved, by filing the appropriate set of company documents with the Registrar of Companies with a nominal fee. A constitution is not necessary but one may be included as part of incorporation or adopted at a later date.

The directors of a company have a duty to act in good faith and in the best interests of the company. A director must exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances. All New Zealand companies require a New Zealand director.

The principal advantage of trading under a company structure is that the liability of shareholders is limited to the amount of share capital they have subscribed to except in cases of fraudulent or reckless trading. In these situations the Courts may find the directors personally liable. This is unlike sole traders who have unlimited personal liability for business debts.

A return detailing shareholders and officers of the company must be filed annually with the Registrar of Companies.

Auditors do not have to be appointed if shareholders unanimously resolve not to appoint them, except where the company is large and 25 percent or more of the voting shares are held by persons or companies not ordinarily resident in New Zealand or the company issues shares or securities to the public.

### OVERSEAS COMPANIES

Companies incorporated outside New Zealand may establish either a subsidiary or branch in New Zealand after reserving the company name with the Registrar of Companies. A return detailing shareholders and officers of the company must be filed annually with the Registrar of Companies.

Companies which are a subsidiary of an overseas company and/or a branch must file audited financial statements if they or their New Zealand business are large. An overseas company or its New Zealand business is large if at the balance date for the 2 preceding accounting periods, their

total assets, including those of any subsidiary companies, are more than NZ\$20 million, or in each of the 2 preceding accounting periods, their total revenue, including revenue from subsidiary companies, is more than NZ\$10 million.

Companies incorporated in New Zealand that are a subsidiary of an overseas company with 25 percent or more of its voting rights held overseas must also must file audited financial statements if, at the balance date for the 2 preceding accounting periods, at least 1 of the following applies: the total assets for the company and its subsidiaries were more than NZ\$60 million, or the total revenue was more than NZ\$30 million. It is important to note this includes any NZ company with 25 per cent or more of its voting shares held by a subsidiary of a body corporate incorporated outside NZ, or a person who is not ordinarily resident in NZ.

### TRUSTS

Trusts are normally created by the execution of a trust deed detailing the terms and conditions of the trust. They are primarily established for asset protection, anonymity of investment, estate planning and long-term provisions for family income. The beneficiaries' entitlements may be in a fixed proportion or variable at the discretion of the trustee.

The principal advantages of trusts are that they are relatively easy to form and are not subject to government controls on their formation or operation. Other advantages may include taxation benefits and some flexibility in terms of control and distribution of funds. The disadvantages of trusts is that the trustees must strictly adhere to the terms of the Trust Deed or incur personal liability for losses incurred as a result of failing to do so. The directors of corporate trustees also have the same responsibilities for their actions and cannot rely on the limited liability of the trustee company.

It is important to note that the Trusts Act 2019 came into force on 30 January 2021, and it has modernised the landscape of trust law in New Zealand with greater emphasis being placed on trustee obligations and beneficiary rights.

### OTHER FORMS OF BUSINESS

Although not as common as Companies and Trusts, business may be carried out by way of Partnership (General and Limited), Joint Venture, and/or Sole Proprietorship.

# TAXATION

## FISCAL YEAR END

The standard year end for all taxpayers is 31 March. Alternative balance sheet dates are generally allowed by the Inland Revenue Department upon application.

## GENERAL STRUCTURE - INCOME TAX

The two key elements which give rise to a New Zealand tax liability are residence and source. Briefly, a New Zealand resident is liable for tax on all income, whether derived from New Zealand or overseas. A non-resident is liable for New Zealand income tax only on income which is derived from New Zealand. For this reason there is a carefully drafted definition of “New Zealand” for tax purposes which enlarges the tax jurisdiction to cover many of the mineral exploration activities carried on off the New Zealand coast. Various Double Taxation Treaties exist to determine residency in the case of conflict and set out applicable tax rates.

### TAX RATES

Individuals

For taxable income up to \$14,000	10.5%
For taxable income between \$14,001 - \$48,000	17.5%
For taxable income between \$48,001 - \$70,000	30.0%
For taxable income between \$70,000 - \$180,000	33%
For taxable income over \$180,000	39%

Source deductions apply on all wages, salaries and commissions. Rebates of tax apply for residents only, particularly in relation to low income and charitable donations.

Trusts	
Trustees	33%
Beneficiaries	Marginal Personal Rate
Companies	
Companies	28%
Overseas Companies	28%

## CORPORATE TAXATION

A company is deemed to be resident in New Zealand if:

- (i) It is incorporated in New Zealand; or
- (ii) It has its head office in New Zealand; or
- (iii) It has its centre of management on New Zealand; or
- (iv) Control of the company by its directors, acting in their capacity as directors, is exercised in New Zealand, whether or not decision making by directors is confined to New Zealand.

The double tax agreement (DTA) between most countries and New Zealand states that a company with a permanent establishment in New Zealand will have income tax requirements here. A permanent establishment for a business is a fixed place where the business activity is wholly or partly carried on however it is important to consult your relevant DTA to establish whether criteria met as there are a number of scenarios which mean you may or may not have a permanent establishment.

Every company must file a return of income for each year regardless of whether or not the company has traded. This must be accompanied by a summary of the company’s financial statements and whatever other forms are necessary to support matters contained in the return. A resident company is required to put in a return showing worldwide income, whereas a non-resident company’s return should record income derived from New Zealand only.

There is a tax exemption for the active income of New Zealand businesses operating overseas. Active income earned by New Zealand resident companies through their controlled foreign companies will be exempt from domestic tax until ultimately distributed. Only their passive income is taxed. Dividends from foreign companies to the New Zealand parent are exempt from domestic tax, but remain taxable in the hands of individuals.

An imputation regime exists and is designed to eliminate double taxation of corporate earnings distributed as dividends to shareholders. The system enables a resident company to pass on to its shareholders the benefit of tax it has paid through attaching imputation credits to dividends paid. However, because the company tax rate is 28 cents, a withholding tax deduction is generally made from dividends of 5 cents to increase the tax paid to the top marginal rate for individuals of 33 cents. A resident shareholder can then obtain a credit against their own taxation liability.

The imputation credit account is maintained on a cash basis and needs to be in credit at March 31 each year. A 67% continuity of ownership is required to carry forward imputation credits.

Dividends paid to a non-resident that has a 10% or more direct voting interest in a company are not subject to Non-Resident Withholding Tax (“NRWT”) to the extent the payment is fully imputed.

Non-resident companies are taxed at 28% on business income sourced in New Zealand if the company has a permanent establishment or trades in New Zealand. Non-resident companies providing contract services in New Zealand are subject to a 15% withholding tax in some cases.

### Branch or Company?

Foreign corporations commencing business in New Zealand must decide whether to incorporate a separate company or

trade as a branch. In either case the income tax rate on profit is 28% and funds can be freely transferred.

Losses incurred by a New Zealand incorporated company can be carried forward indefinitely and set off against future New Zealand income. The carry forward provisions are subject to 49% continuity in ultimate shareholding at all times. This includes the shareholding in the ultimate parent company wherever domiciled. There is also a business continuity test should continuity be breached.

Tax loss setoffs require 67% common ownership between entities, and can be done by either an offset in the tax return or by way of subvention payment.

The decision whether to trade as a branch or through a separate company will depend upon several factors including taxation, accounting, New Zealand shareholders and dealing with local agencies and financiers. These matters should be carefully considered with professional advisers before any action is taken.

## PROVISIONAL TAXES

Companies, overseas companies, trusts and sole traders pay provisional tax during the financial year with a subsequent final (“terminal”) payment or refund.

For standard balance dates the provisional tax payments will generally be due on August 28, January 15 and May 7 each year. Terminal tax where a taxpayer is on a tax agent approved agency list due on April 7 of the following year. Use of money interest is charged / paid on over / under payments.

Alternatively, there are a number of tax pooling providers in New Zealand that can be used to meet your provisional tax obligations should you require. Tax pooling is an alternative way for clients to pay tax. Tax pooling clients pay their provisional tax to registered intermediaries. Intermediaries then deposit payments into an account with IRD. IRD hold the payments until intermediaries tell IRD where to transfer them.

## INDIVIDUALS

Individuals will be treated as residents of New Zealand for income tax purposes if:

(i) they have a permanent place of abode in New Zealand (requiring at least a dwelling) whether or not they also have an abode outside New Zealand; or

(ii) they are physically present in New Zealand for 6 months (183 days) within a 12 month period. Residence is deemed from the first day of presence; or

Individuals are not resident in New Zealand if:

(i) they do not meet any of the above tests.

(ii) they have been absent from New Zealand for 325 days within a 12 month period. Non-residence is deemed from the first day of absence.

New Zealand resident taxpayers are taxed on their worldwide net income while non-residents are taxed on income derived from New Zealand.

Non-resident individuals are taxed at the same marginal tax rates as resident individuals, except in relation to income that is subject to non-resident withholding tax.

## TRUSTS

New Zealand trusts are classified as either:

(i) Complying trusts which are generally trusts with resident trustees with all trust income subject to New Zealand income tax. Trust income is taxed at 33% or the individual beneficiary’s tax rate if distributed within a prescribed six month period.

(ii) A foreign trust is a trust where, at a moment in time, no settlor is resident in New Zealand at any time that starts on the later of 17 December 1987 and the date on which a settlement was first made on the trust and ends with a moment in time. Foreign trusts are taxed in New Zealand only on their New Zealand sourced income at 33% or the individual beneficiary’s tax rate if distributed within a prescribed period. Any other distribution from the trust is taxed at the individual beneficiary’s tax rate unless it is part of the Corpus (being the initial capital plus accumulated profits and any further capital receipts since the commencement of the trust) or it is a realised gain except where an associate of a trustee was involved in the transaction.

(iii) A non-complying trust is any trust other than a complying trust, foreign trust or a unit trust. It generally has a resident settlor, has been established in a foreign country with non-resident trustees, and has not been liable for New Zealand income tax on trustee income since it was first settled. Trust income is taxed at 33% or the individual beneficiary’s tax rate if distributed within a prescribed 6 month period and all other distributions except those of trust Corpus are taxed at a flat rate of 45%.

(iv) Charitable trusts which are exempt from income tax.

## FOREIGN INVESTMENT FUND (FIF) REGIME

The foreign investment fund regime applies to direct and indirect interests in international equities of less than 10% (other than certain Australian entities). The regime ensures investment in such equities is taxed annually irrespective of dividend receipts or otherwise.

The Fair Dividend Rate (FDR) method is one method of assessing income from portfolio overseas investments. Taxable income is 5% of the opening market value of the investment at the beginning of the year. Individuals and family trusts have the ability to use the Comparative Value method, based on movement in value over the year, if this results in lower taxable income.

An overseas share portfolio costing less than \$50,000 and held by an individual is exempt from the FDR regime and instead will be taxed on a dividend received basis.

### THIN CAPITALISATION

The Income Tax Act provides “thin capitalisation rules”. These ensure, in the case of a New Zealand taxpayer which has a disproportionately high level of New Zealand group debt funding, that an appropriate apportionment is made to the New Zealand taxpayer of the group of entities’ worldwide interest expenditure of which the New Zealand taxpayer is a part whether for inbound or outbound investment.

The thin capitalisation rules require an apportionment of interest deductions for an income year if the taxpayer has a New Zealand group debt percentage for the income year which exceeds both:

- 60%, and
- The worldwide group debt percentage of the taxpayer multiplied by 1.1.

If a taxpayer’s New Zealand group debt percentage for an income year fails this test, then the amount deductible by the taxpayer in the income year may be reduced proportionately.

### TRANSFER PRICING

A taxpayer entering into a cross-border arrangement with an associated person for the acquisition or supply of goods, services, or anything else at a consideration which reduces the taxpayer’s net income, must substitute an arms-length consideration when calculating the taxpayer’s net income.

### DOUBLE TAXATION AGREEMENTS

New Zealand has a network of 40 double tax agreements with its main trading and investment partners aimed at reducing tax impediments to cross-border trade and investment and assisting tax administration.

In addition, New Zealand has a number of Tax Information Exchange Agreements in place to promote international co-operation in tax matters through exchange of information.

### WITHHOLDING TAX

#### (i) Resident Withholding Tax (RWT)

RWT is a source deduction from most interest and dividend payments.

##### (a) Interest

All New Zealand residents, and non-residents carrying on a taxable activity through a fixed establishment in New Zealand, are required to deduct RWT on interest payments.

The rate of RWT to be deducted from interest is either 10.5%, 17.5%, 28%, 30%, 33% or 39%.

##### (b) Dividends

Broadly stated, RWT must be deducted from all non-exempt dividends paid.

#### (ii) Non-Resident Withholding Tax (NRWT)

NRWT is levied on moneys paid or credited to non-residents by way of dividend, interest or royalties. The rate of tax on dividends for most tax treaty countries is 15% rising to 30% for countries with no applicable tax treaty. This may be mitigated where the dividends carry imputation credits. In the case of interest most tax treaties require NRWT to be deducted at the rate of 5% - 10% but in some cases the rate is 15%. The rate for non-Treaty Countries is also 15%.

#### (iii) Non-Resident Contractors Withholding Tax (NRCWT)

Contract payments to non-resident contractors are treated for tax purposes as a withholding payment liable for withholding tax deductions (NRCWT) with some exceptions. The Regulations specify that the appropriate rate of withholding tax deduction is 15 cents in the dollar.

### GOODS AND SERVICES TAX

Goods and Services Tax (GST) is a value added tax of the type commonly found in the EU. It is charged by registered persons on the supply of goods and services in New Zealand in the course of a taxable activity.

Registered persons are those whose taxable supplies ordinarily exceed \$60,000 in any one year. The tax is not limited to business or situations where a profit motive is apparent, and includes any form of continuous or regular activity where supplies are made for consideration.

The rate of tax is currently 15%. Domestic rentals and supplies of donated goods or services by a non-profit body are exempt from GST. Wages and salaries from employment and private activities such as hobbies are also exempt. Exports and international transportation are GST zero-rated (GST at 0%) but GST is charged on imports. Financial services are generally exempt from GST but may be zero-rated in some circumstances.

GST can be complex in relation to land transactions and should be carefully considered. GST also applies to some remote services and low value goods.

A person registered for GST can recover GST incurred on purchases made in the course of making taxable supplies. GST is not therefore a tax on business, it is a tax on consumers.

### FRINGE BENEFIT TAX

Non-monetary benefits such as motorcars, low interest loans, non-business related entertainment and free or subsidised goods provided by employers to employees or their relatives attract fringe benefit tax (FBT) which is payable quarterly by the employer based on the deemed value of the benefit provided at a rate of 63.93% or a rate based on the marginal

tax rate of remuneration paid to the employee. FBT is a deductible expense for income tax purposes.

An employer will be liable for FBT regardless of whether or not it is a taxable entity for income tax or because it is in a loss situation. Generally, if a fringe benefit is provided by other than the employer, but in accordance with some arrangement with the employer, then it will be deemed to have been provided by the employer.

### PENSIONS AND SUPERANNUATION

Membership of private or employer superannuation schemes is not compulsory but persons over the age of 65 may receive a pension funded by the Government (New Zealand Superannuation) under the Social Welfare Act.

The current payment for a single person is NZD\$25,745 p.a. and is taxed at the marginal rate of the recipient.

Kiwisaver is a voluntary retirement savings initiative created by the government, whereby full time income earners can contribute between 3% and 10% of their pay. Members qualify for a tax credit of \$10 per week for their Kiwisaver contributions. A compulsory matching employer contribution of 3% is required.

Employers who contribute to Kiwisaver or superannuation schemes for employees pay Employers Superannuation Contribution Tax (ESCT) on the amount paid. The employer

may elect to pay the tax on a progression rate depending upon the employee’s annual income, comprising both salary / wages and employer superannuation contributions.

### PROPERTY TAXES

Local authorities (local Government) raise funds through the imposition of levies and “rates” on owners of residential and commercial property. Rates vary according to the relevant local authority and are based upon the value of the property.

### STAMP DUTY

New Zealand has abolished stamp duty.

### CAPITAL GAINS TAX

New Zealand has not enacted capital gains tax legislation as such, although some capital receipts may be taxable in certain circumstances (including profits from certain real property disposals and profits arising from the disposal of financial instruments). In particular, “land transactions” are often complex and require careful consideration.

### ESTATE TAXES

New Zealand does not impose inheritance, estate or death duties.



## FINANCIAL REPORTING FRAMEWORK

The New Zealand Accounting Standards Framework consists of a two-sector, multi-tier structure with different accounting requirements or standards applying to each tier. The framework can be split between For – Profit Entities and Public Benefit Entities.

### FOR - PROFIT ENTITIES

For-Profit Entities that prepare general purpose financial reports (GPFs) in accordance with The New Zealand Accounting Standards Framework will report as either Tier 1 or Tier 2 entities.

It is compulsory to prepare GPFs under Tier 1 if an entity has public accountability and/or is defined as large. If Tier 1 requirements met, then financial reporting is required to be prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS).

Tier 2 reporting is required for entities that are not publically accountable and/or large and choose to elect to prepare their financial reports in accordance with Tier 2. If the entity elects to do so, then financial reporting is required to be prepared in accordance with New Zealand International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

If entities do not meet Tier 1 or elect to report under Tier 2 then Special Purpose Financial Reporting (SPFR) applies. SPFRs are deemed most appropriate for the preparation of small and medium for-profit entities financial statements based on the needs of financial statement users and cost-benefit considerations. The most common framework adopted is A Special Purpose Financial Reporting Framework for use by For-Profit Entities (SPFR for FPEs) issued by Chartered Accountants Australia and New Zealand.

### PUBLIC BENEFIT ENTITIES

Under the New Zealand Accounting Standards Framework Public Benefit Entities have an expanded Tier structure which contains four tiers.

It is compulsory to prepare GPFs under Tier 1 if an entity has public accountability and/or is defined as large. If Tier 1 requirements met, then financial reporting is required to be prepared in accordance with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS).

Tier 2 reporting is required for entities that are not publically accountable and/or large and choose to elect to prepare their financial reports in accordance with Tier 2. If the entity elects to do so, then financial reporting is required to be prepared in accordance with Public Benefit Entity International Financial Reporting Standards Reduced Disclosure Regime (PBE IFRS RDR).

Tier 3 reporting is required for entities that are not publically accountable with total expenses of less than \$2 million which elect to prepare their financial reports in accordance with

Tier 3. If the entity elects to do so, then financial reporting is required to be prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit) (PBE SFR – A).

Tier 4 reporting is required for entities that are not publically accountable, allowed by law to use cash accounting, and have expenses of less than \$140,000 which elect to prepare their financial reports in accordance with Tier 4. If the entity elects to do so, then financial reporting is required to be prepared in accordance with Public Benefit Entity Simple Format Reporting – Cash (Not-for-profit) (Not-for-profit) (PBE SFR – C).

## HLB IN NEW ZEALAND HOW TO CONTACT US

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