NZs Tax System of Offshore Profits and Ownership – Undermining NZs Economic Future and Sovereignty

Currently, New Zealand does tax some income earned here and later sent offshore, but it does not have a comprehensive “offshore ownership tax.” The system mostly taxes the income or transaction—not the foreign ownership itself. Therefore offshore owners can easily extract wealth with little consequence for benefiting NZs future.

New Zealand’s current approach

Offshore investment or payment	Current NZ treatment	Main limitation
Buying residential land	Generally no stamp duty or foreign-buyer tax. Most overseas persons are restricted from purchasing residential land under overseas-investment law	Restriction, not a revenue-retention mechanism
Owning land	Local council rates apply	No national land tax or annual foreign-owner surcharge
Renting NZ property	Net rental income is taxable in NZ	Expenses may reduce taxable profit; no additional foreign-owner rate
Selling residential land	Gain may be taxable under ordinary land-sale rules or the two-year bright-line test	Long-term gains may escape tax if none of the land-sale rules applies
Selling commercial, rural or forestry land	Gain is taxable in certain circumstances, particularly where bought for resale, developed, subdivided or held as part of a land business	No comprehensive capital-gains tax
NZ company profit	Generally taxed at 28% before distribution	Related-party charges can reduce the NZ profit, subject to anti-avoidance rules
Dividends sent offshore	Generally 30% NRWT before treaty and imputation relief	Often reduced to 0%, 5% or 15%
Interest sent offshore	Generally 15% NRWT before treaty relief	Often reduced to 10%; approved arrangements can face a 2% levy instead
Royalties sent offshore	Generally 15% NRWT before treaty relief	Commonly reduced to 5% or 10% by treaty

Offshore investment or payment	Current NZ treatment	Main limitation
Management and service charges	Deductible only if commercially justified and correctly priced	Difficult to police where intellectual property and group services are involved
Multinational profit shifting	Transfer-pricing, thin-capitalisation and permanent-establishment rules apply	Complex, enforcement-intensive, and dependent on international arrangements
Large multinational groups	OECD 15% global minimum-tax rules apply to groups over €750 million revenue	Only covers very large groups and the minimum rate is well below NZ's 28% company rate

1. Foreign ownership of residential land

New Zealand generally prevents an overseas person from buying existing residential property unless an exemption or consent pathway applies. Australian and Singaporean citizens and some qualifying residents receive special treatment because of international agreements.

However, where an overseas purchase is allowed, New Zealand does not generally impose:

- a Singapore-style 60% foreign-buyer duty;
- a British Columbia-style 20% foreign acquisition tax;
- an annual absentee-owner tax;
- a national land tax; or
- a comprehensive capital-gains tax.

This means the Overseas Investment Act primarily controls entry into ownership. It does not guarantee that future profits, rent or capital gains remain in New Zealand.

2. Rental income earned by an offshore owner

A non-resident who owns a New Zealand rental property must pay New Zealand tax on the net rental income.

The calculation is broadly:

Gross rent received − allowable property expenses = taxable rental income

Allowable expenses can include:

- rates and insurance;
- property-management costs;
- repairs and maintenance;
- accounting expenses; and
- qualifying interest costs, subject to the applicable rules.

An individual non-resident generally pays the ordinary individual income-tax rates of 10.5% to 39%. A company generally pays 28%.

Therefore, the tax is imposed on net income—not on the gross rent transferred offshore and not at an additional foreign-owner rate. Inland Revenue: non-resident taxpayers

3. Profits from selling land

New Zealand does not have a comprehensive capital-gains tax. Instead, land-sale gains are taxable where one of several specific rules applies.

A gain can be taxed when:

- the property was bought with an intention or purpose of resale;
- the owner has a land-dealing, development or building business;
- the property is developed or subdivided in taxable circumstances;
- rezoning or development rules apply; or
- residential property is sold within the bright-line period.

Bright-line test

For residential land sold on or after 1 July 2024, the bright-line period is generally two years.

If an offshore investor buys a property for $1 million and sells it 18 months later for $1.3 million, the net gain will generally be taxable. If the same property is held for ten years, the gain will not automatically be taxed under bright-line. It may still be taxable if, for example, the original purpose was resale—but Inland Revenue may need evidence of that intention.

This is the central gap: a long-term offshore owner may realise a substantial capital gain without paying tax on that gain if none of the specific land-sale provisions applies. Inland Revenue: bright-line test

Residential Land Withholding Tax

Where an offshore RLWT person sells residential land in a taxable transaction, the conveyancer may be required to withhold Residential Land Withholding Tax from the sale proceeds.

The calculation generally considers the taxable gain and caps connected to the sale proceeds. The rate attached to the gain component is generally:

- 28% for a company; or
- 39% for other vendors.

Crucially, RLWT is not an additional tax. It is collected in advance and credited against the seller's final New Zealand income-tax liability.

Its strength is enforcement: part of the money is secured before the remaining sale proceeds can leave New Zealand.

4. New Zealand company profits owned offshore

A New Zealand company generally pays 28% company tax on its taxable profit, whether it is domestically or foreign-owned.

For example:

Calculation	Amount
NZ revenue	$10 million
Legitimate operating expenses	($6 million)
Taxable profit	$4 million
Company tax at 28%	$1.12 million
After-tax profit	$2.88 million

That appears reasonably strong. The issue is how the $4 million taxable profit is calculated.

A foreign parent might charge the New Zealand company for:

- interest on related-party debt;
- intellectual-property royalties;
- brand or franchise fees;
- group management services;
- insurance;
- data and technology services; or
- offshore procurement and administration.

Some charges may be entirely legitimate. But every deductible $1 million paid offshore can potentially reduce New Zealand taxable profit by $1 million. At a 28% company rate, that represents up to $280,000 less New Zealand company tax.

New Zealand uses transfer-pricing and thin-capitalisation rules to prevent artificial deductions. It also has a permanent-establishment anti-avoidance rule for large multinationals that structure their activities to avoid establishing a taxable presence here. [Inland Revenue: permanent-establishment anti-avoidance]

5. Dividends paid to an offshore owner

The domestic non-resident withholding tax rate on dividends is generally 30%. But that is not necessarily what the foreign shareholder ultimately pays.

The rate may be reduced by:

- New Zealand imputation credits;
- a double-tax agreement;
- the percentage of the company owned by the foreign shareholder;
- whether the shareholder is a company; and
- particular statutory exemptions.

Treaty rates commonly fall into the following range:

- 15% for portfolio shareholders;
- 5% for qualifying substantial corporate shareholders; and
- sometimes 0% where specific ownership and other conditions are satisfied.

Example

Assume a foreign-owned NZ company earns $1 million before tax:

Step	Amount
Company profit	$1,000,000
NZ company tax at 28%	($280,000)
Available dividend	$720,000
Additional NZ tax on distribution	Depends on imputation and treaty rules
Amount transferred offshore	Potentially most or all of the $720,000

The company tax is retained by New Zealand, but most of the after-tax profit can lawfully leave the country.

6. Interest sent offshore

The standard domestic NRWT rate on interest paid to a non-resident is 15%. A double-tax agreement commonly reduces it to 10%.

There is also an Approved Issuer Levy system. In qualifying circumstances, a New Zealand borrower can register the borrowing and pay a levy generally equal to 2% of the interest instead of deducting ordinary NRWT.

For example, if $10 million of qualifying interest is paid offshore:

- 15% NRWT would collect $1.5 million;
- 10% treaty NRWT would collect $1 million; but
- a 2% approved issuer levy would collect $200,000.

The levy was designed to reduce the cost of obtaining international capital. From a sovereignty perspective, however, it can mean relatively little tax is retained when substantial interest payments leave the country.

7. Royalties sent offshore

Royalties include payments for the use of:

- brands;
- patents;
- software;

- copyright;
- industrial processes;
- technical knowledge; and
- other intellectual property.

The domestic NRWT rate is generally 15%, but treaties commonly reduce this to 5% or 10%.

This is significant because a foreign parent can own the intellectual property used by its New Zealand subsidiary. The subsidiary pays a royalty offshore and claims a New Zealand deduction, provided the charge is commercially supportable.

Without a treaty, New Zealand's general rates are:

- 30% on dividends;
- 15% on interest; and
- 15% on royalties.

Treaty-specific rates are published by Inland Revenue.

8. Large multinational companies

New Zealand has implemented the OECD Pillar Two global minimum-tax framework for multinational groups with consolidated annual revenue of at least €750 million.

Its principal purpose is to ensure that covered multinational profits face an effective tax rate of at least 15% somewhere within the coordinated international system.

The relevant New Zealand rules have staged application, including:

- Income Inclusion Rule and Undertaxed Profits Rule from 1 January 2025; and
- Domestic Income Inclusion Rule from 1 January 2026.

This helps prevent large groups from moving profits into jurisdictions where they face little or no tax. However:

- the €750 million threshold excludes most foreign investors and medium-sized groups;
- 15% is substantially below New Zealand's 28% company rate;
- it does not prevent after-tax profit leaving New Zealand; and
- it does not capture passive increases in the value of land.

Overall assessment

New Zealand's present system can be summarised as:

We tax some New Zealand-sourced income and use withholding and anti-avoidance rules to collect it, but we generally do not charge an additional tax merely because an asset or business is foreign-owned or because its after-tax profit is transferred offshore.

Its strengths are:

- rental income remains taxable here;
- New Zealand companies generally face 28% company tax;
- RLWT helps collect tax before land-sale proceeds leave;
- withholding applies to passive offshore payments;
- transfer-pricing and thin-capitalisation rules limit artificial deductions; and
- overseas-investment law restricts some strategic acquisitions.

Its sovereignty gaps are:

- no general capital-gains tax;
- no national land-value tax;
- no annual foreign or absentee-owner surcharge;
- no foreign-buyer duty;
- treaty rates can substantially reduce withholding tax;
- qualifying offshore interest can attract only the 2% approved issuer levy;
- after-tax dividends can leave New Zealand freely;
- no requirement to reinvest a proportion of profits locally;
- no comprehensive tax on offshore extraction of economic rent; and
- no Norway-style future-generations mechanism converting finite resource profits into permanent national wealth.

So New Zealand does tax offshore investors, but mainly as ordinary taxpayers earning New Zealand-sourced income. It does not currently have an integrated tax system specifically designed to retain wealth, value and strategic control within New Zealand.

The solution a:

New Zealand Sovereign Investment and Value Retention Framework

Author's Caveat

This work presents the author's research, analysis, observations and opinions about governance, systems, sovereignty, public policy and New Zealand's future.

It is not a statement on behalf of any political party, government agency, legal, medical, financial or professional body. It is not legal, medical, financial, political or other professional advice, and should not be relied upon as such.

The purpose of this work is to encourage systems-based thinking, informed discussion and public participation. Readers are encouraged to consider the ideas critically, undertake their own research, seek appropriate professional advice where required, and form their own informed views.

Views and proposals may evolve as further evidence, feedback and public discussion emerge.

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