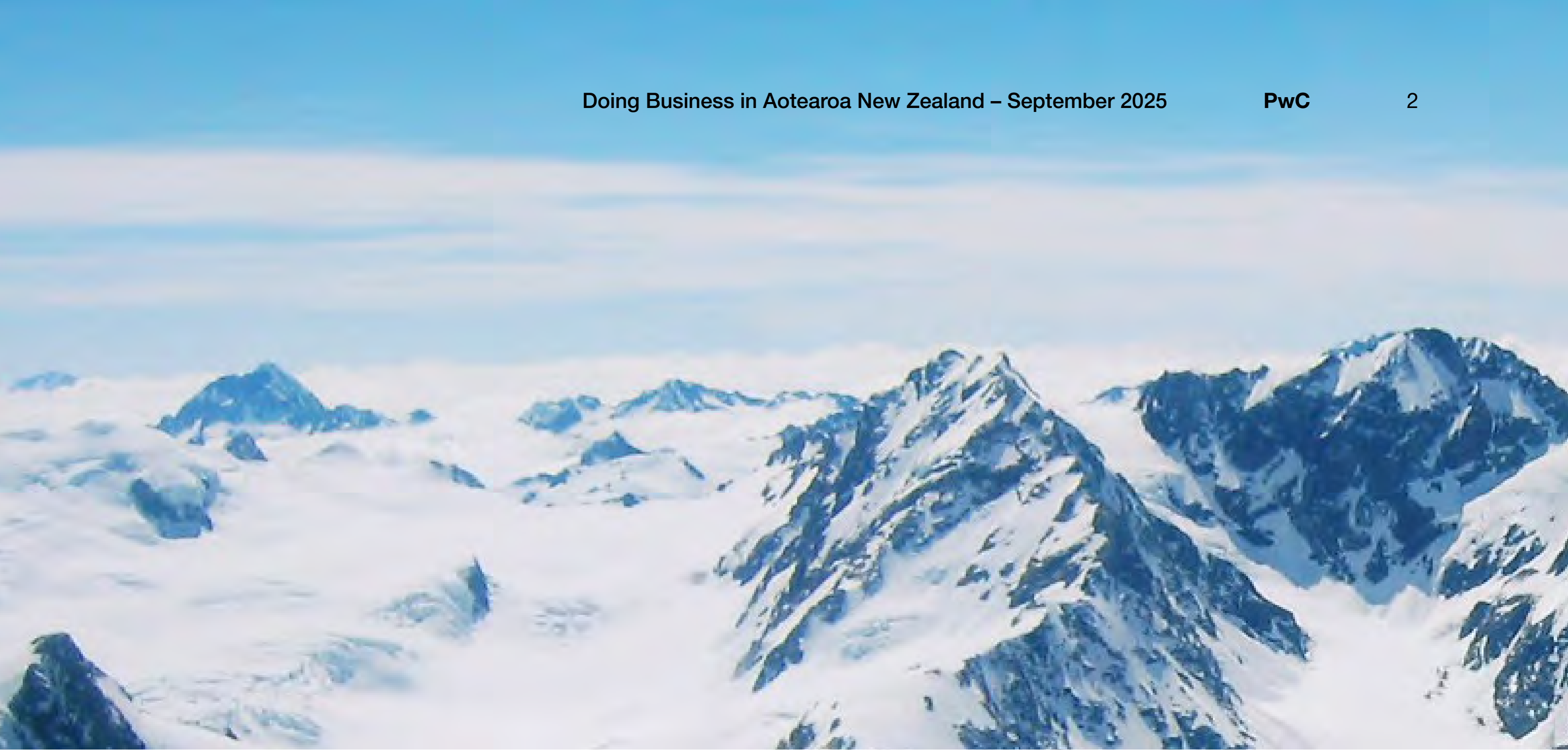
A guide to doing business in Aotearoa New Zealand

September 2025



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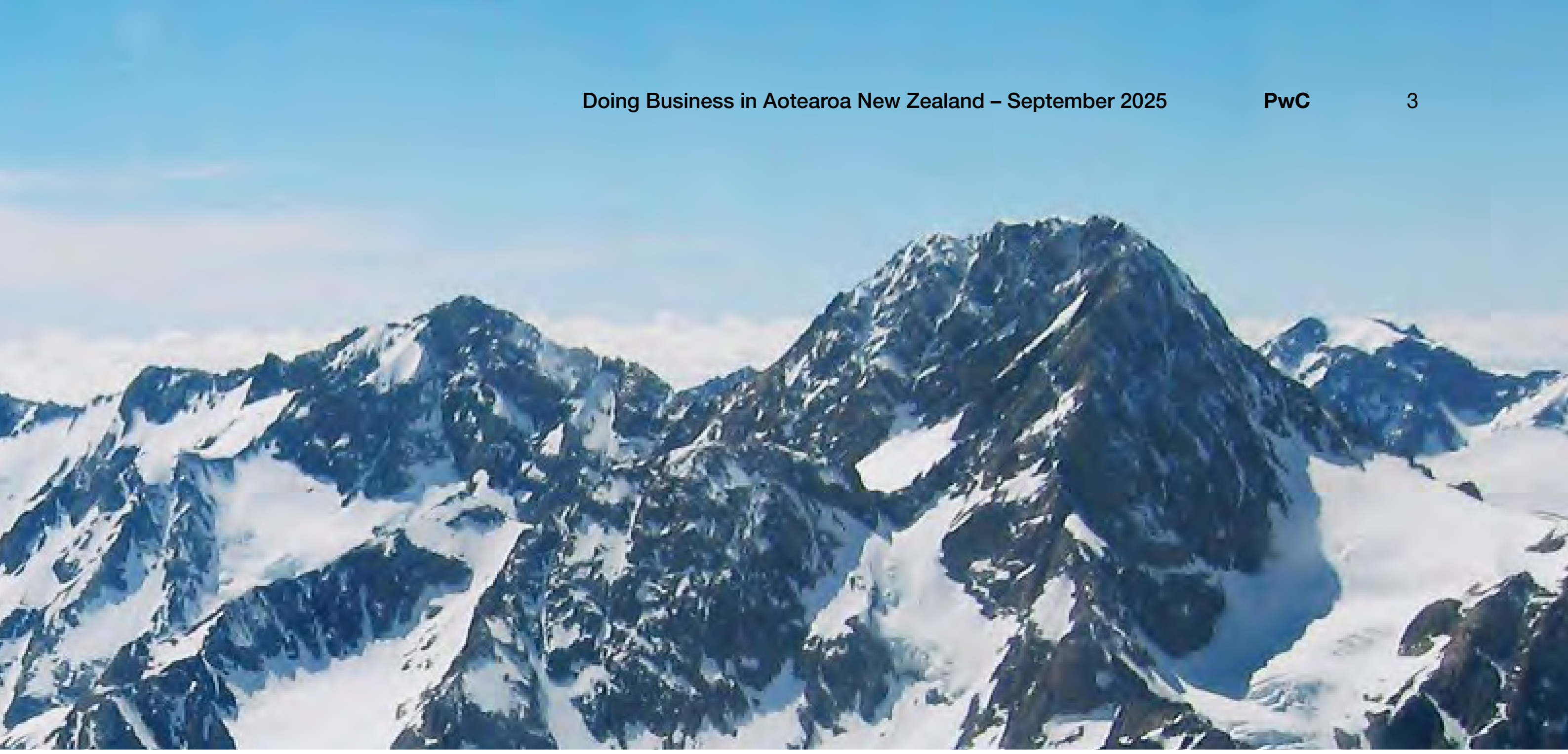
Kia ora,

As we look ahead, it's evident that change remains the sole constant, both in Aotearoa New Zealand and across the globe. We work with our clients to navigate the evolving landscape, enabling you to achieve outcomes that benefit your business, the economy, and our communities.

This guide brings together our extensive knowledge and experience of doing business in New Zealand, drawing on expertise from across our firm. In it, you'll find an overview of our distinctive economic, social, and regulatory environment; detailing the business structures, capital markets, mergers and acquisitions, overseas investment regulations, taxation, and other essential laws and regulations to consider when planning to invest or do business here.

If you need further information please reach out to our team. With our extensive range of services and global network of specialists, we aim to make your entry into or expansion within New Zealand seamless and straightforward.

Andrew Holmes
CEO & Senior Partner
PwC New Zealand



The world never stops moving – and neither do you.

We are part of a tech-forward, people-empowered global network that spans across 149 countries with over 370,000 people.

We provide market-leading services that include artificial intelligence, assurance, digital transformation, deals, tax, legal and consulting, while bringing together the teams, resources and alliances you need so you can act boldly and achieve real results.

In Aotearoa New Zealand, PwC employs over 1,700 people and has offices in the Auckland, Waikato, Hawke's Bay, Wellington and Canterbury regions.

Over and above our traditional service offerings, PwC New Zealand has a strong industry focus, with multi-discipline teams dedicated to key industry groups in both global and national markets. For our clients, this means the best local knowledge combined with the broadest global experience.

PwC Legal – integrated legal expertise

PwC Legal offers expertise across a broad range of practice areas. We are part of the largest legal services network by geography, with over 3,500 lawyers worldwide. While technical excellence is fundamental to what we do, it is our global reach and deep market insights that set us apart from traditional law firms, allowing us to offer you a fully integrated service that encompasses legal, financial, tax, and accounting expertise.

In today's fast-moving world, it is more important than ever to have a legal partner who understands all aspects of your business. This document brings together the diversity of expertise and skills across PwC Legal and PwC New Zealand to help you navigate the changing and complex business environment.

370,000+
Global people network

1,700+
New Zealand people network

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Andrew Holmes
CEO & Senior Partner, PwC New Zealand

Contents

01

Introduction

Aotearoa New Zealand as an investment opportunity

Aotearoa New Zealand presents a compelling investment landscape, enhanced by a robust network of trade partnerships across Asia, the Pacific, the Americas and the European Union.

New Zealand's stable democratic political system, strong legal institutions, and resilient economy make it a highly desirable destination for overseas investment. Its transparent and open-market economy, along with a free-floating currency, presents significant opportunities. Internationally, New Zealand is frequently recognised for its business-friendly environment, ranking 11th on the Index of Economic Freedom in 2025 and 4th among the least corrupt countries in the world, alongside Denmark, Finland, and Singapore, in Transparency International's 2024 Corruption Perceptions Index.

The New Zealand Government welcomes sustainable, productive and inclusive overseas investment and recognises its contribution to the overall prosperity of the country. While some foreign investments require regulatory approval under the overseas investment regime, not all transactions do; the necessity for consent is determined by the nature and value of the investment. Currently, as part of its 'open for business' initiative, the Government is reviewing pathways for high net worth migrants and has created Invest NZ, a dedicated agency to engage with international investors. Additionally, New Zealand is preparing for significant reforms to its overseas investment framework, with major changes expected in the coming year.

Government and the legal system

New Zealand is an independent nation and its Government is modelled on the Westminster system.

This system is based on separation of powers, a concept intended to prevent abuses of power within Government, with each branch acting as a check on the others. The Government is led by the Prime Minister and consists of three branches: Parliament, Executive, and Judiciary.

Laws are written by the Executive and are passed through Parliament. Parliament is elected by the public through a democratic election every three years.[1] It determines which laws to pass by examining and debating proposed laws, also known as bills. The Executive is made up of the Prime Minister and the Cabinet Ministers, who administer the law. Some of their powers and obligations are delegated to local councils and tribunals. The Judiciary interprets and applies the law by hearing and deciding cases, and keeps the balance between the power of the Government and the rights and responsibilities of New Zealanders.

1 The term of Parliament is being reviewed by the current Government, following the recommendation of an Independent Electoral Review.

Business landscape

New Zealand's rich natural resources have afforded the country significant resilience against economic disruption.

New Zealand's primary sector remains integral to the economy and has remained financially robust, despite the considerable impact of severe weather events, the availability of labour, and supply chain challenges.

Unlike most OECD developed economies, New Zealand has a remarkable reliance on the food and fibre sector as a significant contributor to its prosperity. Food and fibre sector export revenue is expected to increase to $59.9 billion for the year to 30 June 2025, representing the country's largest contribution to the tradable economy.[2]

Leveraging New Zealand's comparative natural advantages will ensure the country continues making world-leading strides forward in the food and fibre sector. While quality products will always be in demand, New Zealand has the opportunity to strategically position its food and fibre sector to offer high skills, knowledge, technology, and capability to countries with the existing resources for production. Much of New Zealand's success in the food and fibre sector can be attributed to its capability in processes, systems, and technology, turning sunlight and nutrients into a broad range of products for consumers around the globe.

2 https://www.mpi.govt.nz/resources-and-forms/economic-intelligence/situation-and-outlook-for-primary-industries/

International trade

China, USA and Australia are New Zealand's largest trading partners, with the European Union emerging as an increasingly important market for New Zealand.

Taking advantage of its international reputation with a strong and growing network of international trading partners, New Zealand has successfully concluded a number of free trade agreements. In particular, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP) have helped New Zealand to diversify and secure access across a broad range of Asian and Pacific markets.

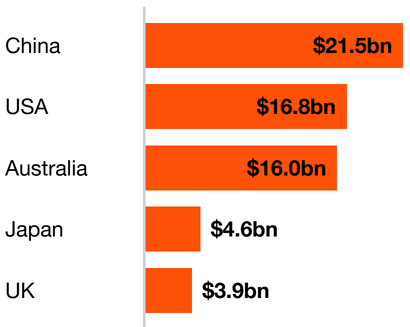
$105.2bn

New Zealand **exports** of goods and services in the year ended March 2025 (NZ$)

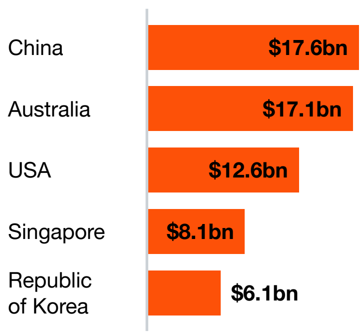
$109.2bn

New Zealand **imports** of goods and services in the year ended March 2025 (NZ$)

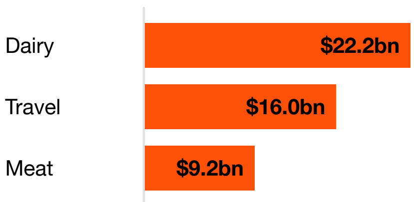
Top exports by country



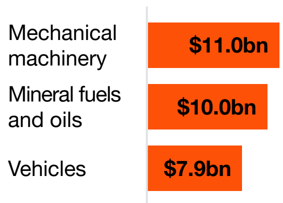
Top imports by country



Top export products



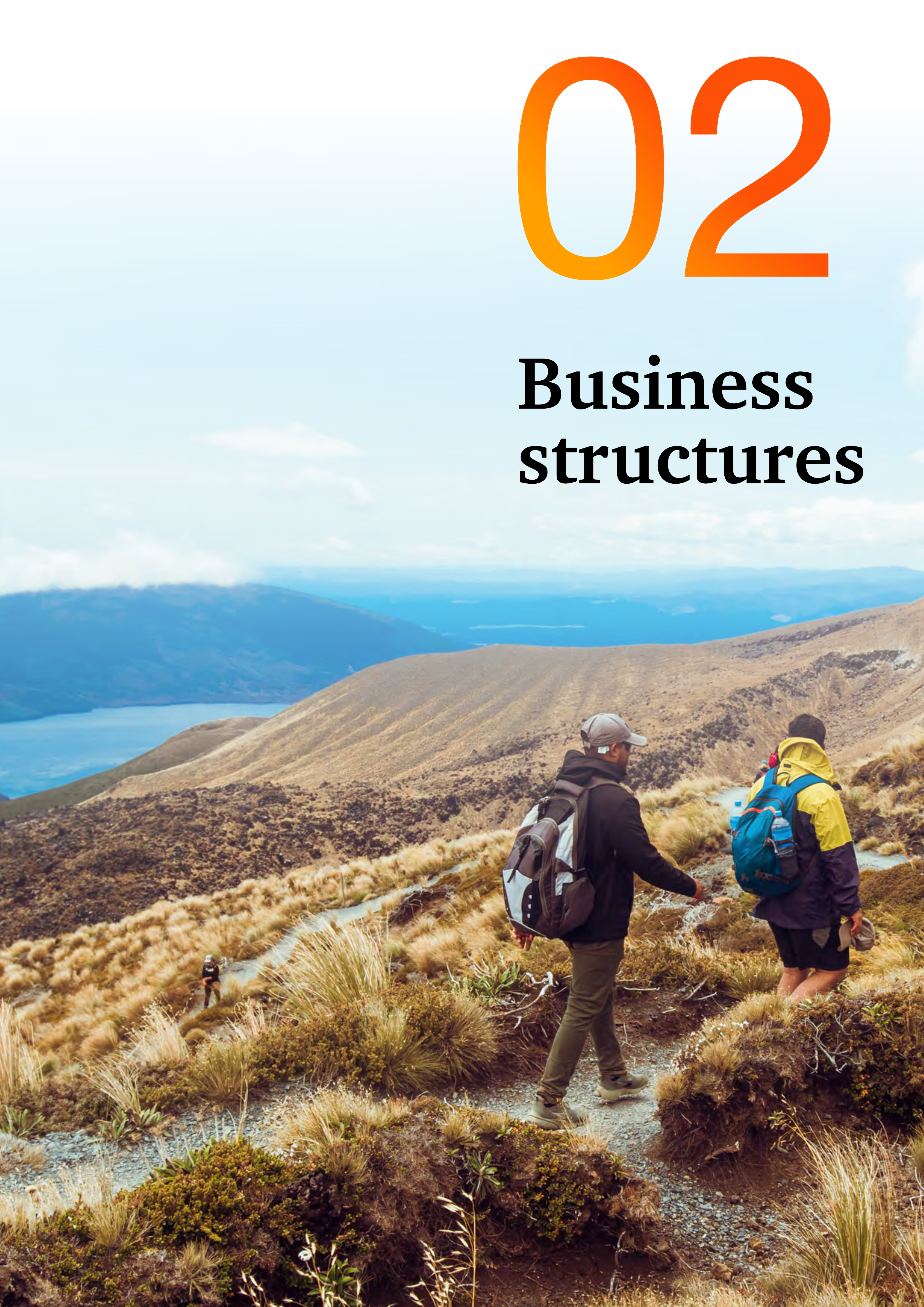
Top import products



Source: Stats NZ Tatauranga Aotearoa

02

Business structures



Doing business through Aotearoa New Zealand entities

New Zealand is widely regarded as one of the easiest places in the world to start a business. New Zealand law allows overseas investors to set up businesses in a relatively short space of time, which allows such parties to own assets, operate businesses, employ local employees and enter into contracts with third parties in New Zealand.

New Zealand corporate entities are simple to form, globally recognised, and comparable to their international equivalents.

There are a number of different types of corporate entities that are used in New Zealand and the most common are limited liability companies, overseas branches, and limited partnerships. Other less common types of corporate entities include unlimited liability companies, incorporated societies, general partnerships and charitable trust boards.

If an overseas company is 'carrying on business' in New Zealand, it is required to register with the New Zealand Companies Office as a branch. There are additional, and separate considerations for companies that are not resident in New Zealand but carrying on activities in New Zealand (whether or not they are registered as an overseas branch). For instance, if a non-resident entity supplies goods or services in New Zealand over NZ$60,000 a year, they may be required to register for Goods and Services Tax (**GST**).

'In New Zealand, limited liability companies provide limited liability to their shareholders, which means such shareholders are generally only liable for money they have contributed or have agreed to contribute to the company.'

Limited liability companies

The most commonly used corporate entity in New Zealand is the limited liability company.

Limited liability companies are relatively easy to set up, and establishment and ongoing administration costs are minimal, which can be attractive to overseas companies looking to establish a local subsidiary entity.

In New Zealand, limited liability companies provide limited liability to their shareholders, which means such shareholders are generally only liable for money they have contributed or have agreed to contribute to the company (for example, money owed on shares that have been issued to them). A board of directors is responsible for governing the company, making various business decisions and overseeing the general operations of the company.

Establishment

Limited liability companies in New Zealand are governed by the Companies Act 1993 (**Companies Act**).

Incorporating a limited liability company in New Zealand is a relatively simple process, and requires confirmation of certain details and an application to the New Zealand Companies Office.

To incorporate a limited liability company in New Zealand, the company must have at least one director, one shareholder, and one share. It must also have a physical registered office address and an address for service in New Zealand. While these are minimum requirements, there are no minimum capital requirements and no restrictions on the size of a company's share capital or the number of shareholders or directors (albeit some additional regulatory considerations for certain companies with over 50 shareholders).

There are no residency requirements on shareholders. However, limited liability companies in New Zealand must have at least one New Zealand resident director, or one Australian resident director who is also a director of an Australian registered company.

When making an application for incorporation of a limited liability company, if needed, an application for an IRD number, GST registration and registration as an employer with the Inland Revenue may be submitted at the same time.

Upon incorporation, the newly incorporated limited liability company will be issued with a New Zealand Company Number and a New Zealand Business Number. The Companies Office will also publish certain information about the company, its directors, and its shareholders on a publicly accessible website, including:

- the company's registered office address and address for service;
- the name and residential address of each director;
- the name and address of each shareholder, as well as details of each shareholder's shareholding interest in the company;
- a copy of the constitution (New Zealand's equivalent to articles of association or corporate bylaws), if there is one, however it is not

mandatory for a company to have a constitution;
- details of any body corporate (whether registered in New Zealand or overseas) that is the company's ultimate holding company; and
- audited financial statements that comply with generally accepted accounting practice, if they are large and more than 25% overseas owned (see more on this below).

Ongoing compliance

Each year, a limited liability company must file an annual return which confirms the details held by the Companies Office about its presence in New Zealand. Failure to file an annual return is an offence under the Companies Act and can lead to the company being removed from the Companies Register. There are also obligations upon directors to maintain certain records (including a share register) and to update company information as relevant changes occur (such as the issue of new shares or changes to directors/shareholders).

Directors of New Zealand companies are subject to certain duties (including to act in good faith and the best interests of the company, and to not trade recklessly). Any person taking on the role of a company director should ensure they are aware of their duties and obligations, as in some instances they can face personal liability for breach of duty or other laws.

In addition to the requirement to file an annual return each year, companies that are deemed to be 'large' and are more than 25% overseas owned will also generally be required to prepare and register audited financial statements with the New Zealand Companies Office.

A New Zealand company that is not a subsidiary of a body corporate incorporated outside New Zealand will be deemed large if one of the following applies:

- the total assets of the company and its subsidiaries (if any), as at the balance date of each of the two previous accounting periods, exceed NZ$66 million; or
- the total revenue of the company and its subsidiaries (if any), as at the balance date of each of the two previous accounting periods, exceeds NZ$33 million.

A company that is a subsidiary of a body corporate that is incorporated outside New Zealand will be deemed large if one of the following applies:

- the total assets of the company and its subsidiaries (if any), as at the balance date of each of the two previous accounting periods, exceed NZ$22 million; or
- the total revenue of the company and its subsidiaries (if any), in each of the two previous accounting periods, exceeds NZ$11 million.

'FMC Reporting Entities', such as companies listed on the New Zealand stock exchange, will have separate financial reporting obligations.

In the light of the staggering increase in generative artificial intelligence (AI) use, directors need to understand their role and responsibilities in the deployment of AI. Our article on ***Artificial intelligence: What directors need to know***[3] discusses the relevance of directors' duties in the context of AI and how directors can effectively manage these duties.

3 https://www.pwc.co.nz/services/consulting/generative-ai/artificial-intelligence-what-directors-need-to-know.html

Overseas branches

Overseas investors may wish to establish a branch operation in New Zealand, rather than incorporating a local subsidiary company.

If an overseas company is 'carrying on business' in New Zealand, it will be required to register as an overseas branch on the Companies Office's Overseas Register (**Overseas Register**). This registration does not incorporate a separate legal entity under New Zealand law, and the overseas company continues to contract and enter into transactions in its own right. There is no bright-line test for whether or not an overseas company is 'carrying on business' in New Zealand.

In order to register a branch office in New Zealand, the overseas company must provide certified copies of its home jurisdiction's certificate of incorporation and constitutional documents, along with the details of its directors. If documents are not in English, a certified translation must be provided. A New Zealand branch is required to nominate a representative resident in New Zealand to accept service of documents on behalf of the branch.

Similar to limited liability companies, branches of overseas companies will be required to file an annual return each year in order to confirm that the details held by the Companies Office are up to date, notify the Companies Office of changes to its directors, addresses or constitution, and to confirm that the overseas company is still carrying on business in New Zealand.

Branches of overseas companies registered to carry on business in New Zealand may be required to prepare and file two sets of audited financial statements with the Companies Office: one set for the overseas company's operations (including the New Zealand operations) if the overseas company is deemed to be 'large', and one for the New Zealand business' operations (if such operations are separately deemed to be 'large').

The branch and/or overseas company will deemed to be 'large' if either of the following apply:

- the total assets of the (a) overseas company and its subsidiaries (if any) and/or (b) its New Zealand business, as at the balance date of each of the two previous accounting periods, exceed NZ$22 million; or
- the total revenue of (a) the overseas company and its subsidiaries (if any) and/or (b) its New Zealand business, in each of the two previous accounting periods, exceeds NZ$11 million.

Limited partnerships

Under New Zealand law, a limited partnership (LP) constitutes its own separate legal entity and must have at least one general partner and one limited partner.

A general partner is responsible for the management of the LP and is liable for its debts and liabilities, to the extent that the LP is unable to meet them. The general partner may (subject to certain requirements) be an individual, a limited liability company, another limited partnership, or partnership.

A limited partner is liable only to the extent of their financial contribution to the LP. In order to preserve their limited liability, limited partners must not participate in the management of the LP.

LPs are generally treated as 'flow through' entities for income tax purposes where the income and expenditure of a LP is treated as being derived/incurred by investing partners directly, in proportion to their partnership interest.

If an investor partner's expenditure exceeds their attributed income for the year, the expenditure may be able to be offset against income from other sources (subject to a loss limitation rule), or carried forward and offset against that partner's income in subsequent income years.

Establishing a LP in New Zealand requires an application to be lodged with the Limited Partnership Register via the Companies Office. This application must include the details of the general partner(s), the limited partner(s) and its registered office (which must be a physical address in New Zealand). The application must also confirm that the LP has a limited partnership agreement that complies with the applicable law (though this does not need to be lodged with the Companies Office).

While some of the details of the LP will be publicly available on the Limited Partnership Register (such as details of the general partner and registered office details), the identity and partnership interest of the limited partners will not be publicly available. This can be attractive to investors who do not want their details to be available to the general public.

As with limited liability companies, LPs are required to file an annual return each year, and those that are considered 'large' may also be required to prepare audited financial statements.

Proposed reforms

The Government is progressing the first phase of reforms of the Companies Act and related corporate governance legislation.

This first phase seeks to simplify compliance and deter and detect poor business practices, such as phoenixing of companies.[4] It is further proposed that director identification numbers will be introduced, meaning that directors of a company can opt to show an address of service instead of their home address being made publicly available. This first phase is not intended to significantly change the overall scheme of existing legislation, and will be a welcome and uncontroversial step for many New Zealand companies.

The second phase of reforms will follow a Law Commission review of directors' duties and related issues of director liability, sanctions, and more effective enforcement.

4 Phoenixing refers to when a company fails with unpaid debts, and a new company is incorporated to continue trading, sometimes with the assets of the failed company transferred to it for less than their value.

03

Capital markets

Private capital markets

New Zealand has always been a net importer of capital to fund growth and is generally considered to be an attractive investment destination. Domestic and offshore institutional, private equity and venture capital funding continue to play a significant role in the New Zealand capital markets.

53%

of transactions in New Zealand involved international buyers during the first quarter of 2025

The global market landscape is currently characterised by volatile geopolitical conditions, influenced notably by policy shifts and executive orders from the Trump administration in the United States.

These developments have broader implications, particularly relevant to New Zealand due to its export-oriented economy and its significant trade relationship with China, its largest trading partner, and the United States, its second largest trading partner. New Zealand's third largest trading partner, Australia, also has significant trading relationships with China and the United States. For investors, understanding the potential impact of such geopolitical dynamics on New Zealand's trade and economic environment is crucial.

As the global geopolitical landscape continues to evolve rapidly, New Zealand businesses that can proactively manage risk will be well positioned to deploy funding to take advantage of new opportunities for growth and stability. Data from the first quarter of 2025 indicates strong international interest in New Zealand businesses, with the United States and Australia leading this offshore interest. Key sectors showing notable activity included Technology, Media, and Telecommunications (**TMT**), Consumer, Financial Services and Industrials, and Chemicals sectors.[5]

5 https://www.pwc.co.nz/services/mergers-acquisitions-valuations/ma-quarterly-update-first-quarter-of-2025.html

Māori collectives and organisations increasingly contribute to an active private equity market as investors and co-investors, across numerous sectors and industries. The New Zealand Government further contributes to the pool of capital and investment activity, and provides some co-investment opportunities with Crown investment vehicles. Notable investments by the New Zealand Government include the New Zealand Superannuation Fund, which hit a record high value of NZ$76.65 billion in June 2024,[6] the Accident Compensation Corporation fund (nearly NZ$50 billion),[7] and KiwiSaver retirement scheme investments (more than NZ$100 billion).[8] The Government has also established NZ Growth Capital Partners to provide investment and support for early stage and high growth tech companies in New Zealand, an area also targeted by other local and overseas venture capital funds.

Access to capital remains crucial for the growth aspirations of New Zealand firms. Offshore capital plays an essential role in complementing domestic funding in order to achieve the level of investment required to grow New Zealand's productive assets.

6 https://nzsuperfund.nz/publications/annual-reports/
7 https://www.acc.co.nz/about-us/our-investments
8 https://www.fma.govt.nz/library/reports-and-papers/kiwisaver-report/

Securities law regime

An offer of financial products (e.g. debt and equity securities, managed investment products and derivatives) in New Zealand is regulated by the Financial Markets Conduct Act 2013 (FMCA) and overseen by the Financial Markets Authority (FMA).

An offer of financial products is made in New Zealand if it is received by a person in New Zealand, unless the offeror takes reasonable steps to ensure that persons in New Zealand cannot accept the offer. This applies regardless of whether the offer is made by a New Zealand or offshore entity.

An offer of financial products will require the preparation and registration of a product disclosure statement, unless an exemption or exclusion applies. The product disclosure statement is heavily regulated under the FMCA and related regulations.

There are a number of exclusions and exemptions under the FMCA, where no disclosure document is required, or a reduced level of disclosure applies. Common exclusions and exemptions relate to offers to 'wholesale investors', 'close business associates' and 'employee share schemes' that fit within specific criteria. If the investor is unable to rely on any of the exclusions or exemptions, then it is possible to apply for a bespoke exemption from the FMA.

Australia and New Zealand have a Trans-Tasman mutual recognition scheme under which a New Zealand issuer may make an offer of financial products to investors in Australia without needing to prepare a separate offer document under Australian laws. The mutual recognition scheme also applies to Australian issuers in respect of offers to New Zealand investors.

After a significant reform of New Zealand financial markets legislation in 2013, New Zealand benefits from more simplified capital raising processes, and greater investor protections. The current government is considering further de-regulation in this area.

Debt capital

New Zealand has developed debt capital markets, with traditional and non-traditional debt financiers.

The Reserve Bank regulates banks, and non-bank deposit-takers (**NBDT**) which include institutions that take deposits from the public, such as finance companies. There are 27 registered banks, many of which are internationally owned, and 15 registered NBDTs.[9]

For most New Zealand businesses, banks provide the overwhelming majority of debt, this is estimated to be roughly 96.6%.[10] Roughly 85% of bank lending comes from the four main Australian-owned banks.

The domestic bond market has approximately 151 instruments with $58 billion of market capitalisation. Corporate (non-bank) bond issues are relatively rare, and largely centre on infrastructure (e.g. airports and electricity) and property issuers (including retirement villages). The bond market extends beyond 10 years in some cases (e.g. Government bonds or Local Government Funding Agency (**LGFA**)), but for most corporates will be limited to a maximum length of five to seven years (depending on the trading conditions).

NZX overview

NZX operates the New Zealand Stock Exchange (NZX) and comprises two main capital markets in New Zealand.

These are the NZX Main Board (principal market for equity securities) and the NZX Debt Market (for debt securities, including New Zealand Government bonds). Over 330 equity and debt securities are listed on the NZX, with a total market capitalisation of over NZ$236 billion.[11]

Issuers can have a Primary or Foreign Exempt Listing on the NZX. An issuer with a Primary listing will treat the NZX as their home exchange and will be required to comply with all of the NZX Listing Rules. Issuers that are already listed on certain

9 As at 31 March 2025, RBNZ.govt.nz
10 RBNZ Financial Stability Report, November 2024
11 As at 31 December 2024; https://www.nzx.com/services/nzx-trading

overseas exchanges can apply to also list on the NZX as a Foreign Exempt Listing. This means that the NZX will be a secondary listing for the issuer and the issuer will be deemed to comply with the NZX Listing Rules so long as it remains listed on its overseas home exchange.

Once listed, NZX issuers must comply with the NZX Listing Rules, which include the continuous disclosure requirements (ensuring the timely release of material information to the market), additional ongoing corporate governance obligations, and reporting requirements (requiring the issuer to report against the NZX Governance Code). NZX issuers also have specific compliance obligations under the FMCA.

All listed equity issuers with securities containing voting rights are subject to the Takeovers Code (see Mergers and acquisitions at Section 4).

Other exchanges in New Zealand

For businesses that are smaller than those that typically list on the NZX, the Catalist Public Market and Unlisted Securities Exchange (USX) offer alternative markets for issuers to list and trade securities.

The Catalist Public Market is a licensed financial product market. This means that investors have the protection of various provisions of the FMCA including, for example, insider trading, market manipulation, and the monitoring of market obligations by the FMA. Unlike the continuous trading offered on the NZX, Catalist Public Market operates periodic auctions where buyers and sellers will trade at a single price.

The USX offers a broker-traded market for continuous trading of both equity and debt securities. All trading on USX occurs through USX registered brokers and investors cannot trade directly on the USX market. The USX is not a licensed financial product market (and so various investor protection provisions of the FMCA do not apply).

Monitoring and enforcement

The FMA, in conjunction with the NZX, regulates New Zealand's capital markets.

New Zealand law prohibits insider trading and other forms of market misconduct in relation to financial products (including misleading and deceptive conduct). Breaches of these laws carry civil or criminal liability for the person responsible, as well as potential accessory liability for others involved in the breach.

330+

equity and debt securities are listed on the NZX.

27

banks registered in New Zealand, many of which are internationally owned.

04

Mergers and acquisitions

Initial public offerings (IPO)

Like many global exchanges, new listings on the New Zealand Stock Exchange (NZX) are few and far between. In addition, reflecting global trends, the NZX faces a declining number of issuers, with private markets being an increasingly competitive transactional alternative for vendors.

In addition, reflecting global trends, the NZX faces a declining number of issuers, with private markets being an increasingly competitive transactional alternative for vendors. While the NZX has significantly improved its issuance processes, the time, cost and residual risks associated with a public market IPO are greater compared to private market transactions. The ongoing reporting obligations continue to present challenges for issuers and the traditional benefit of being listed, namely access to capital, is increasingly well accommodated for by private equity and other fund investors.

The Minister of Commerce and Consumer Affairs announced plans to reform certain aspects of New Zealand's capital markets. Phase 1 of the reforms has commenced and seeks, among other things, to remove the mandatory requirement to prepare prospective financial information (**PFI**) when preparing a product disclosure statement (**PDS**) for an IPO and lift thresholds for climate related disclosures. The reform aims to improve market competitiveness and to more closely align with Australia.

Phase 2 of the reforms will, amongst other things, review the PDS requirements in relation to equity and debt offers with the aim of lowering costs for issuers and enhancing usability for investors.

M&A trends and insights

The PwC New Zealand M&A Quarterly Update reports on M&A activity in New Zealand while also providing commentary on the global and local M&A outlook for the year ahead.

Deal activity in New Zealand for the first quarter of 2025 reflects a significant increase compared to the first quarter of 2024.[12]

Overseas investors can acquire a New Zealand business or entity in a number of different ways.

An acquisition will typically be structured according to regulatory and tax considerations, whether the parties prefer a share or asset sale, and whether the target entity is privately held or publicly listed.

Acquisitions of privately held companies are generally undertaken by agreement between the seller and the purchaser.

The acquisition or change of control of an entity that is listed on the NZX, or private entities with 50 or more shareholders and 50 or more share parcels and are at least 'medium-sized', must be structured as a takeover offer under the Takeovers Code or a Scheme of Arrangement under the Companies Act (see more on the takeovers regime below). The NZX Listing Rules will also apply to mergers and acquisitions involving NZX listed companies.

The New Zealand overseas investment regime regulates mergers and acquisitions that involve an overseas person (or overseas controlled entity) seeking to make an investment

12 PwC New Zealand M&A Quarterly – For the First Quarter of 2025.

in significant business assets or sensitive land in New Zealand. This regime also seeks to manage risks to New Zealand's national security and public order (see Overseas investment regulations at Section 5).

Before agreeing the commercial aspects of a transaction, investors should seek advice regarding any regulatory requirements and conditions that will apply. Entering into a transaction that is subject to the Takeovers Code or Overseas Investment Act, for example, could have significant legal, reputational and financial implications if not managed correctly.

Regulatory landscape

New Zealand company law is governed by the Companies Act.

Most major merger and acquisition transactions will require the approval of a company's shareholders by a requisite majority.

For example, a New Zealand company must not enter into a 'major transaction' (broadly, a transaction worth more than half the value of the company's assets) unless the transaction is approved (or contingent on approval) by a special resolution of its shareholders, which requires at least 75% of the shareholder votes to be in favour of the transaction.

New Zealand securities laws may apply if New Zealand financial products are being offered as consideration (see Capital markets at Section 3). There are a number of exclusions and exemptions under the Financial Markets Conduct Act that may apply.

Additional regulatory approvals may be required for a sale/disposal transaction depending on the nature of the industry that the target business is involved in. For example, insurance businesses will be required to obtain approval from the Reserve Bank of New Zealand prior to a merger or acquisition transaction being completed.

Takeovers regime

Takeover activity is regulated by the Takeovers Code.

The Takeovers Code restricts investors and their associates from undertaking certain transactions that impact their voting rights in a 'code company'.

The purpose of the Takeovers Code is to regulate the change of control of code companies so that all shareholders have equal opportunity to approve or participate in changes of control.

A code company is any New Zealand company that is listed on the NZX or which has 50 or more shareholders and 50 or more share parcels and is at least medium-sized. A medium-sized company is, broadly, a company that, together with its subsidiaries, has at least NZ$30 million in assets or NZ$15 million in revenue in the most recent accounting period. The Takeovers Code is enforced by the New Zealand Takeovers Panel (an independent Crown entity).

The transactions that are captured by the takeovers regime primarily involve those where a person (together with their 'associates') increases their ownership of voting rights in a code company above 20% (i.e., by initially crossing the 20% threshold or, if already above 20%, by increasing their ownership stake further).

Once a person and their associates hold 20% or more of the voting rights in a 'code company', there are specific rules about how and if that person and their associates can increase their shareholding. In summary, a person can increase their shareholding above the 20% threshold by way of:

- a takeover offer to shareholders for some or all of the code company shares, for an offer price. Shareholders are free to decide whether or not to accept the offer

- obtaining the approval of other shareholders
- creeping acquisitions of up to 5% of the company's shares over a 12-month period, if the person already holds between 50% and 90% of the voting rights in the code company
- an approved exemption.

Once a person and their associates control 90% or more of the voting rights of a code company, they become a 'dominant owner' and may either complete a compulsory acquisition of the remainder of the voting rights or notify the remaining shareholders that they have the right to sell their shares to the dominant owner.

Scheme of arrangement as an alternative takeover mechanism

An alternative to conducting a takeover offer under the Takeovers Code is a scheme of arrangement that allows the change of control of a code company to be approved by the court under the Companies Act.

One of the key differences between a takeover offer and a scheme of arrangement is that, under a takeover offer, the offeror controls the process, offer price and offer terms (subject to compliance with the Takeovers Code). This means that a takeover offer can be used for a friendly or hostile takeover. A scheme of arrangement can be used to effect the same outcome as a takeover offer, but the target code company controls the process (with some involvement from the offeror and the shareholders).

Accordingly, a scheme of arrangement can be an attractive option to effect a 'friendly' takeover, potentially providing offerors greater likelihood of success once the target board approves the transaction.

A scheme of arrangement can also be used to achieve other outcomes involving the reconstruction of the company's shares, assets or liabilities.

Some of the key features of a scheme of arrangement include:

1. Certainty of outcome for the offeror (that is, if the scheme is not approved by the court, the offeror will not acquire any shares), although, the court process can be time consuming and poses execution risk in its own right.

2. The voting requirement to approve a scheme of arrangement is generally lower than voting thresholds required under the Takeovers Code.

3. There is greater flexibility to incorporate terms into a scheme of arrangement that would not be permitted under a takeover offer.

The Takeovers Panel retains a role with scheme of arrangement transactions including providing the court with a letter of no objection, which essentially provides the court comfort that scheme disclosures are 'code equivalent' and that the Panel has considered whether all shareholders can vote together or whether there should be separate votes of different classes of shareholders.

Competition regime

Whilst mergers and acquisitions can bring many benefits to the New Zealand economy through efficiency and innovation, some transactions have the potential of substantially lessening competition and creating anti-competitive outcomes for consumers.

The Commerce Act 1986 (**Commerce Act**) prohibits conduct that substantially lessens competition. The purpose of the Commerce Act is to promote competition in markets for the long-term benefit of consumers within Aotearoa New Zealand.

Restrictive trade practices

The Commerce Act prohibits restrictive trade practices such as:

- contracts and arrangements that substantially lessen competition in a market
- cartel provisions including unauthorised price fixing, restricting of output or market allocation

40

Number of working days the Commerce Commission aims to reach a decision on clearance and authorisation applications.

- misusing substantial market power by engaging in conduct that has the purpose or likely effect of substantially lessening competition in that market
- resale price maintenance by a supplier of goods to ensure that their goods are not resold below a minimum price.

Clearance and authorisation on business acquisitions

The Commerce Act prohibits a person from acquiring another business' assets or shares (including by merger) if doing so will have the effect of substantially lessening competition in a market. Businesses proposing to acquire another business' assets or shares may apply to the Commerce Commission for clearance or authorisation of the acquisition. It is not mandatory to apply for clearance or authorisation of a proposed acquisition, however this would provide parties with certainty to proceed if they are uncertain whether (or know) the proposed transaction would substantially lessen competition in a market.

The Commerce Commission grants a clearance where it considers that the proposed acquisition will not be likely to substantially lessen competition in a New Zealand market. If the Commerce Commission grants a clearance in relation to a transaction, the parties are protected from future legal action under the Commerce Act provided the acquisition is made in accordance with the clearance and while the clearance is still in force.

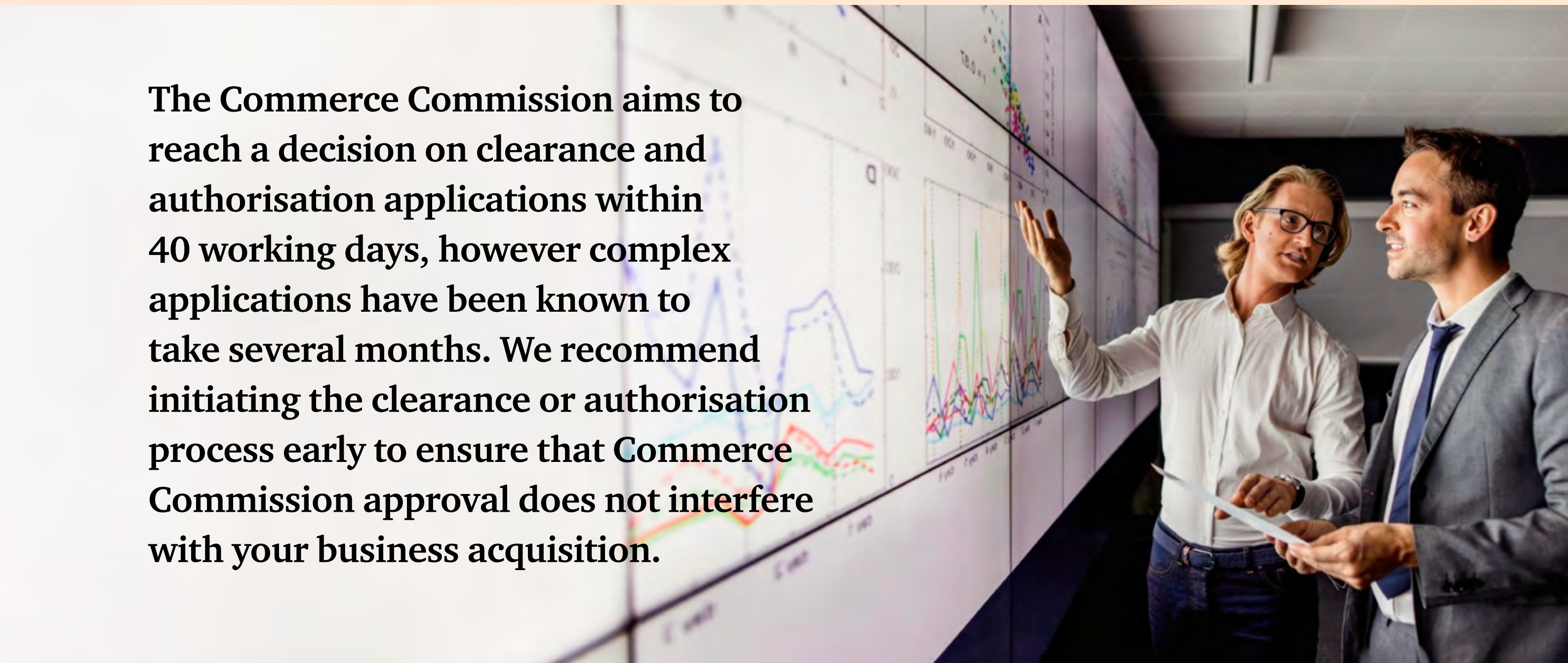
The Commerce Commission may grant an authorisation to permit an acquisition to go ahead even if it considers that the acquisition would result in a substantial lessening of competition, in circumstances where the acquisition would result in a benefit to the public that outweighs the competitive harm.

Clearance and authorisation applications to the Commerce Commission must be submitted before the acquisition is unconditional.

Breach of the Commerce Act

The Commerce Commission takes an active enforcement role and can investigate mergers or proposed mergers that may raise competition concerns and where the merging parties have not applied for or do not intend to apply for, clearance or authorisation prior to the transaction completing (a non-notified merger). The Commerce Commission can seek interim relief or take enforcement action in the High Court.

Penalties for breaching the Commerce Act are substantial. An individual that breaches the restrictive trade and business acquisition provisions may be fined up to NZ$500,000. A company could be fined up to the greater of NZ$10 million, three times the commercial gain resulting from the breach, or 10% of the company's group turnover for a specific period. An individual that commits an offence relating to cartel provisions may also face imprisonment for up to seven years.



The Commerce Commission aims to reach a decision on clearance and authorisation applications within 40 working days, however complex applications have been known to take several months. We recommend initiating the clearance or authorisation process early to ensure that Commerce Commission approval does not interfere with your business acquisition.

05

Overseas investment regulations

Overseas investment

New reforms are set to reshape New Zealand's foreign direct investment framework, noted for its complexity within the OECD.

Under the current framework, while not all overseas investments require regulatory approval, those involving 'sensitive land' or 'significant business assets' are subject to detailed screening under the Overseas Investment Act 2005 (**OIA**) and associated regulations.

The Government has announced its 'Going for Growth' agenda to accelerate the New Zealand economy.

The Government has, on 13 February 2025, announced its 'Going for Growth' agenda to accelerate the New Zealand economy. Through this, it is taking steps to enable and encourage investment into New Zealand including through changes to attract more high quality foreign direct investment into New Zealand. As part of this, the Government has introduced the Overseas Investment (National Interest Test and Other Matters) Amendment Bill 2020 (the **Bill**).

The reforms in the Bill broadly encompass three key aspects:

- Update the purpose of the regime to recognise the role of overseas investment in increasing economic opportunity by enabling the timely consent of less sensitive investments through an initial national interest risk assessment
- Introduce a fast-tracked and consolidated consent process
- Farmland, fishing quota and residential land will continue to be screened under the existing regime to recognise their special status

The Bill is currently before Parliament and is expected to be passed by the end of 2025, and the new regime implemented by early 2026. Pending the implementation of the new regime, we have outlined the regulatory landscape as at the date of publication of this guide.

Application

Regulator

The Overseas Investment Office (**OIO**) oversees the overseas investment regime and assesses applications for consent.

Pathway

There are different application pathways for consent depending on the transaction. Each consent pathway requires the investor to submit a detailed application in a prescribed format and pay a filing fee.

Fees

The filing fees can range between NZ$33,600 to NZ$141,900 depending on the type and complexity of the transaction. The new reforms will likely impact the filing fee structure.

Timing

OIO's timeframes for the assessment of an application for consent will vary depending on the type of investment and consent pathway.

Statutory timeframes can range between 35 working days (for significant business assets) to 70 working days (for certain types of land) and 100 working days (for farm land). In April 2024, as part of a new Ministerial Directive Letter issued by the Government, the OIO was directed to decide 80% of all consent applications within half of the relevant statutory timeframe. We have seen significant improvement in processing timeframes with the OIO since that Ministerial Directive Letter was issued, with the OIO meeting or exceeding these targeted processing timeframes.

Under the new reforms, the OIO must grant consent for screened assets (other than farmland, fishing quota and residential land) within 15 working days unless there are reasonable grounds to consider that a risk to national interest exists, which should further improve decision times for most consents.

Given the complexity of the overseas investment regime, assessment timeframes for a consent application and the filing and legal costs of obtaining consent, it is important to engage specialised advisers early and factor in the impact of the regime into your transaction strategy.

Overseas person

An overseas person broadly includes an entity that is incorporated outside of New Zealand, and any person who is not a New Zealand citizen or ordinarily resident in New Zealand.

The definition also captures any entity in which overseas persons have more than 25% ownership or influence, unless the entity is listed.

In the case of a listed entity, the entity will not be an overseas person if overseas persons own less than 50% of their securities, and overseas persons with 10% or more of its securities do not collectively control more than 25% of the total securities or 50% or more of the board of directors.

Even where a transaction takes place outside of New Zealand, if it involves New Zealand assets down-stream (or where a target business has interests in 'sensitive land' in New Zealand – which can include leasehold interests), OIO consent may still be required. Where any New Zealand assets or land interests are involved, investors should make an early assessment of whether OIO consent is required.

Significant business assets

An investment in significant business assets includes:

- The acquisition of more than 25% interest in a business (or the increase of an existing stake over certain control thresholds) where the consideration paid for the New Zealand part of the investment exceeds NZ$100 million
- The acquisition of more than a 25% interest in a business (or the increase of an existing stake over certain control thresholds) where the value of the New Zealand assets exceed NZ$100 million
- The establishment of a business in New Zealand where the total expenditure expected to be incurred in establishing the business exceeds NZ$100 million
- The acquisition of property (including goodwill and other intangible assets) where the consideration paid exceeds NZ$100 million

Investors from certain countries with trading arrangements with New Zealand will benefit from elevated monetary thresholds, rather than the default NZ$100 million threshold listed above. For instance, the NZ$100 million threshold increases to:

- NZ$200 million for certain non-government investors from member countries/ separate customs territories to international agreements[13]
- NZ$650 million for certain Australian non-Government investors for the year to 31 December 2025 (subject to annual adjustment)

Sensitive land

Sensitive land comprises certain types of land prescribed in regulations. These include:

Large non-urban areas

Non-urban land areas greater than five hectares (including farm land).

Residential land

Land that has a property category of 'residential' or 'lifestyle' on the District Valuation Roll (Note: Investors from Australia or Singapore may be exempt if land is not otherwise sensitive).

13 Australia; Brunei; Canada; Chile; China; Japan; Mexico; Singapore; Taiwan; The Republic of Korea; and Vietnam

Other land

Land of certain sizes either comprising or adjoining land of particular significance (e.g. marine and coastal areas, lakebed, or land listed as a reserve, of historical significance, held for conservation purposes, or set apart as Māori reservation).

Islands

Land located on certain specified islands greater than 0.4 hectares.

An investment in sensitive land includes:

- Purchasing freehold land
- Acquisition of a long-term leasehold interest (three years or more for residential land; ten years or more for non-residential land)
- Acquisition of a more than 25% interest (or the increase of an existing stake over certain control thresholds) in an entity that owns or controls sensitive land.

Solar and wind energy farm developments

Solar and wind projects typically require OIO consent for an overseas investor to acquire interests in the sensitive land (including farm land) required to develop the solar or wind farm.[14]

Although solar and wind farms usually involve similar types of land (particularly farm/rural land), there are some differences between them that are pertinent to the overseas investment regime.

Easements are typically exempted interests under the OIO regime, and so consent is not required. This is particularly relevant for wind farm developers who have a relatively small footprint on larger land areas and there is also usually limited disruption to the landowner's enjoyment and control of the land.

Many wind farm developers have successfully relied on easements for their projects and have not required consent for overseas investment in sensitive land.

However, the rights required by a developer of a large scale solar farm tend to be more extensive in terms of land area used and as such the OIO usually takes the view that they are not suitable to be considered an easement. Regardless of whether the arrangement is described and documented as an easement, if in substance and practice the rights required over land are more extensive than those typically granted in easements, then consent will be required for overseas investment in sensitive land.

14 OIO consent will also be required for the acquisition of significant business assets (regardless of whether sensitive land is involved or not) if the cost of development or the consideration exceeds NZ$100 million (or higher threshold as relevant).

Consent criteria

When considering an application for consent, in general, all investors must satisfy the 'investor test' which is a bright line test as to certain character and capability factors.

These factors include (among others) convictions and corporate fines, ineligibility to come to New Zealand, penalties for tax avoidance or evasion and unpaid tax of NZ$5 million or more.

Special rules apply to different types of investments. These are detailed in the OIA and associated regulations and investors should obtain specialised advice to determine the relevant pathway to consent.

1. Sensitive land

Where an investment involves land that is sensitive (for reasons other than being residential land), the investor must demonstrate the benefit that the proposed investment brings to New Zealand. This may relate to economic benefit, environmental benefit, public access, protection of historic heritage, advancing significant Government policy, and/or consequential benefits that do not fit within one of the other factors.

2. Fresh or seawater areas

If the land is or includes fresh or seawater interests, the investor must notify the New Zealand Government. The New Zealand Government has the first right of refusal to acquire the land.

3. Forestry assets

Different statutory tests apply in the consenting process for investing in forestry assets. This includes the acquisition of forest land (being land over five hectares devoted principally to forestry) and the acquisition of forestry rights over 1,000 hectares per calendar year.

4. Residential land to live in

Special consent pathways apply for investors looking to acquire residential property to live in. Australian and Singaporean investors do not need OIO consent to invest in residential land (that is not otherwise sensitive land).

5. Investing in residential land to develop

Investors who are looking to 'build to rent' (broadly involving the development of 20 or more new residential dwellings on residential land) may be able to apply under a special streamlined test for consent.

Farm land

Farm land carries significant cultural and economic value in New Zealand and there are special rules in place for overseas investments in farm land.

Farm land is defined as land that is, at the time of the consent application, used exclusively or principally for:

- **Agricultural purposes –** this covers growing crops and raising livestock
- **Horticultural purposes** – activities like managing orchards, vineyards and growing in glasshouses or hydroponic systems
- **Pastoral purposes –** grazing livestock is included

Land that is principally or exclusively used for forestry is not considered farm land, and special rules apply to investment in forestry.

How the land might be used in the future, for example for urban development, does not alter the land's status as farm land.

Farm land must be advertised on the open market before any overseas person enters into an agreement to acquire farm land (which can include a binding term sheet). This advertising requirement is intended to provide New Zealand persons with sufficient opportunity to acquire the farm land. In some circumstances, it is possible to obtain an exemption from this advertising requirement.

Solar farm developments

Solar farm developments typically involve farm land. In most cases, investors require a period of due diligence to confirm the suitability of the site for development.

The OIO has recognised the commercial risk to an investor of complying with the requirement to advertise the farm land before a transaction is entered into. A number of solar investors have been granted an exemption from the farm land advertising requirement.

Overseas investors must demonstrate that the proposed investment will, or is likely to, bring 'substantial' benefit to New Zealand. This is a higher threshold than required for other types of sensitive land.

When assessing the benefit of the investment to New Zealand, the economic benefit factors (i.e. the creation or retention of jobs, introduction of technology or business skills, increased export receipts, and increased processing of primary products benefit factors) and oversight and participation of New Zealanders are given high relative importance for farm land.

Given the special status of farm land, the proposed reforms coming into force in late 2025 will not provide a fast-track or consolidated pathway to obtain OIO consent for farm land.

An application for exemption from farm land advertising requirements should generally be made in advance of an application for OIO consent. It is important to factor this into timeframes in any investment in farm land.

Build-to-rent

In February 2025, the Government passed new legislation to support foreign investment to build large-scale rental housing developments.

This new legislation streamlines the process for investment in a project to construct a new development, or acquire an existing development. The new legislation also allows for an overseas investor to apply for standing consent before the investor has identified the specific property to acquire. A standing consent covers a predetermined number of transactions which must be completed within a specified period of time, and means that separate consent does not need to be obtained for each acquisition.

National interest assessment

Certain transactions that require OIO consent may be subject to a further national interest assessment by the Minister of Finance.

While this assessment is only mandatory for transactions which meet certain criteria, the Minister has the discretion to call in any transaction to be subject to the national interest assessment.

The national interest assessment is mandatory where:

- the investment would result in non-New Zealand government investors acquiring more than 25% ownership or control interest in the target business; or
- the investment involves land or assets used for 'strategically important business'.

Strategically important business is defined in detail in the OIA and associated regulations, and broadly includes:

- critical direct suppliers to an intelligence or security agency
- businesses involved in military or dual-use technology
- ports or airports
- electricity, water, or telecommunications businesses
- important financial institutions, or organisations involved in financial market infrastructure
- media businesses with significant impact
- businesses involved in an irrigation scheme
- businesses with access to data sets of sensitive information relating to 30,000 or more individuals.

If an overseas person is investing in a strategically important business, even where consent is not required, the investor may be required to notify the OIO of the transaction (in many cases, regardless of value or the extent of the interest being acquired).

Some investors may be able to voluntarily notify the transaction, and if they obtain OIO clearance from this notification, this clearance will operate as a 'safe harbour' from future challenge from the OIO. If a transaction is not notified, the OIO could call in the transaction at a later time to assess the potential risk to New Zealand's national security or public order.

Under the new reforms

Under the Bill the core tests under the regime (investor test, benefit to New Zealand test and the national interest test) will be consolidated to a single national interest consent pathway. Under this new pathway, the only relevant test is the new national interest test. Under the new national interest test, the OIO will undertake an initial risk assessment to quickly identify and grant consent to low-risk transactions within 15 working days. This would allow investment to proceed unless a national interest risk is identified. If, during this process, a national interest risk is identified, the transaction will be escalated to a more fulsome national interest assessment.

If the investment involves a strategically important business (as defined in the OIA and regulations) or the investment would result in non-New Zealand government investors acquiring a more than 25% ownership or control interest in the target business, then the current national interest test will apply. Note that farm land, fishing quota and residential housing will remain subject to the existing screening regime.

Breach

It is an offence under the OIA to give effect to an investment without obtaining the required OIO consent or to take steps to evade or circumvent the operation of the OIA.

A person who breaches the OIA may be liable to a range of civil penalties and criminal fines (for instance, penalties of up to NZ$500,000 for individuals and up to NZ$10 million or three times quantifiable gain for businesses). The OIO has a range of enforcement powers available in the case of breach or non-compliance with any condition attached to a consented transaction, including applying for court orders to require the investor to dispose of assets and property.

06

Infrastructure

Investing in infrastructure

Infrastructure is fundamental to prosperity and wellbeing. It ensures factories have the necessary resources, goods can be transported, houses can be built, clean water is available, and waste is properly managed. It connects people to places and businesses.

New Zealand is facing a well-publicised infrastructure deficit of over $200 billion as a result of decades of underinvestment.[15] The New Zealand Infrastructure Commission has estimated that it will cost $1 trillion over the next 30 years to address this deficit and bring the nation's infrastructure to a standard comparable with other OECD countries.[16]

Historical underinvestment is due to a range of interconnected issues, including financial constraints in funding and financing infrastructure projects, policy and institutional settings, and uncertainty regarding the pipeline of projects.

These factors have collectively impacted the ability to improve efficiency, develop skills, attract investment, innovate and deliver much-needed infrastructure.

To drive economic growth and resilience, the Government has identified infrastructure development as a priority, suggesting a range of legislative and policy changes to tackle existing challenges. The scale of investment and amended settings create significant opportunities for private investors.

'To drive economic growth and resilience, the Government has identified infrastructure development as a priority.'

15 Sense Partners, New Zealand's infrastructure challenge: Quantifying the gap and path to close it, 2021 https://tewaihanga.govt.nz/our-work/research-insights/new-zealand-s-infrastructure-challenge-quantifying-the-gap-and-path-to-close-it
16 ibid

Evolving the infrastructure ecosystem to create greater certainty and efficiency and facilitate private investment

The Government's 'Going for Growth' agenda seeks to turbo charge the New Zealand economy. Through this, it is taking steps to enable and encourage investment into New Zealand including through changes to the Overseas Investment Act and Foreign Direct Investment rules. Infrastructure is specifically identified as a core pillar of the 'Going for Growth' strategy and a range of changes are being made across the infrastructure legislative landscape and ecosystem including:

Create

Creation of **National Infrastructure Funding and Financing Co (NIFFCo)** as the investor shopfront for private capital investments into public infrastructure in New Zealand. NIFFCo aims to make it easier for investors by acting as a single point of contact for infrastructure proposals, advice, and support.

NIFFCo's remit includes connecting overseas investors and lenders into New Zealand's infrastructure pipeline and receiving and evaluating market-led proposals on behalf of the Crown.

Creation of the **Fast Track Approvals Act** aims to ease regulatory burden and establish an approvals regime for a range of significant regional and national infrastructure and development projects.

It can streamline processes and reduce barriers for investors in infrastructure projects in an effort to promote economic growth.

Amend

Amendments to the I**nfrastructure Funding & Financing Act (IFFA)**. The IFFA allows the creation of a special purpose vehicle to raise finance for projects with costs repaid through a levy charged to properties that benefit from the project.

Amendments are intended to improve the effectiveness of IFFA and make the process simpler and cheaper as well as broadening the IFFA to apply to major transport projects.

Develop

Development of a new approach and framework to support evaluation and progression (where appropriate) of **market-led proposals**. Market led proposals fall outside normal planning and competitive procurement processes with the expectation that it will allow the Government and private infrastructure investor to deliver real value, productivity improvements and innovation promoting economic growth.Market-led proposals must meet public interest objectives, provide value for money and justify exclusive negotiation with the Government.[17]

Development of a **30-year National Infrastructure Plan** by the New Zealand Infrastructure Commission.[18] This will provide a bipartisan pipeline of projects to create a more predictable investment environment.

Development of a **Funding and Financing Framework** a key objective of the framework is to broaden the funding base for investments and utilise private capital, where efficient.[19]

A key principle of the framework is that Crown funding and / or financing should only be sought when all other sources have been exhausted paving the way for private sector investment.

Revise

Revision of the **PPP (public private partnerships) framework** with altered risk allocations to reflect market sentiment.[20]

Bringing new PPP opportunities to market is expected to help attract international capital as well as expertise and capability needed to deliver New Zealand's growing pipeline of infrastructure projects.

17 The Treasury, Market-led proposals: Guidelines for submission and assessment, 2024 https://www.treasury.govt.nz/sites/default/files/2024-11/guidance-market-led-proposals.pdf
18 https://tewaihanga.govt.nz/national-infrastructure-plan
19 The Treasury, Funding and financing framework, 2024 https://www.treasury.govt.nz/publications/guide/funding-and-financing-framework
20 The Treasury, New Zealand PPP Framework: A Blueprint for Future Transactions, 2024 https://tewaihanga.govt.nz/our-work/project-support/guidance/public-private-partnerships-ppps

Key sector updates

Where are the investment opportunities?

Key areas where investment is likely to be sought are summarised below (current as at March 2025):

Energy

New Zealand is focused on electrification and renewable energy to fuel decarbonisation of the economy.

This will require increased investment in renewable energy, wind and solar in particular. In addition to the 'gentailers', increased investment is expected from independent developers, a new feature to the market, in order to meet New Zealand's decarbonisation goals.

Substantial investment in transmission is crucial to support increasing electrification, more renewable energy integration and rising demand over the next decade. Transpower is planning a NZ$6.5b investment program aimed at upgrading its networks' capacity.

Significant investment will also be required in New Zealand's distribution networks.

Telecommunications

There have been high levels of activity in recent periods as major players refine their asset bases and ownership of infrastructure to align with future strategic objectives. As such, portfolio optimisation continues to be a defining theme across the sector.

Transport

Transport investment is expected to make up around 50% ($120 billion) of the Government's total infrastructure investments over the next 10 years.[21]

A programme of 17 Roads of National Significance (RONS) has been identified and are the most imminent investments – these must seek private investment and alternative funding (e.g. tolls) as a first port of call before considering Crown funding/financing.

Other large 'mega-projects' are in the planning stages and could come to market.

Guidance on interisland ferry procurement is expected in late 2025, with further rail investment expected, along with the opening of the $5.5 billion City Rail Link.

Potential for bus procurement model changes to fund electrification.

Water

Reform of how three waters is delivered is underway including increased regulation. This should bring increased levels of investment over time. Potential for private sector investment through metering and plant investment (e.g. Build Own Operate Transfer model) and outsourcing of some services to improve efficiency and sustainability.

Health

Over the next 30 years New Zealand will have to spend $115 billion on hospitals (capital, maintenance and renewals).[22] Many are potential PPP candidates.

Housing

Kāinga Ora review has reduced expenditure on social housing and the role of the Crown and an increased focus on the role of Community Housing Providers and how those providers, along with the Crown, can increase supply. Demand continues to exceed supply for social and affordable housing.

Potential for New Zealand Defence to procure its largest army camp at Linton Barracks as a PPP.

The Government has progressed the Fast Track consenting process to advance a number of large scale residential development opportunities, is establishing a government backed debt facility (initially, small scale) for Community Housing Providers (social and affordable housing) and, generally, is pushing to reduce 'red tape' for consenting new development (across all property sectors).

Social infrastructure

PPPs proposed for Courts and Corrections.

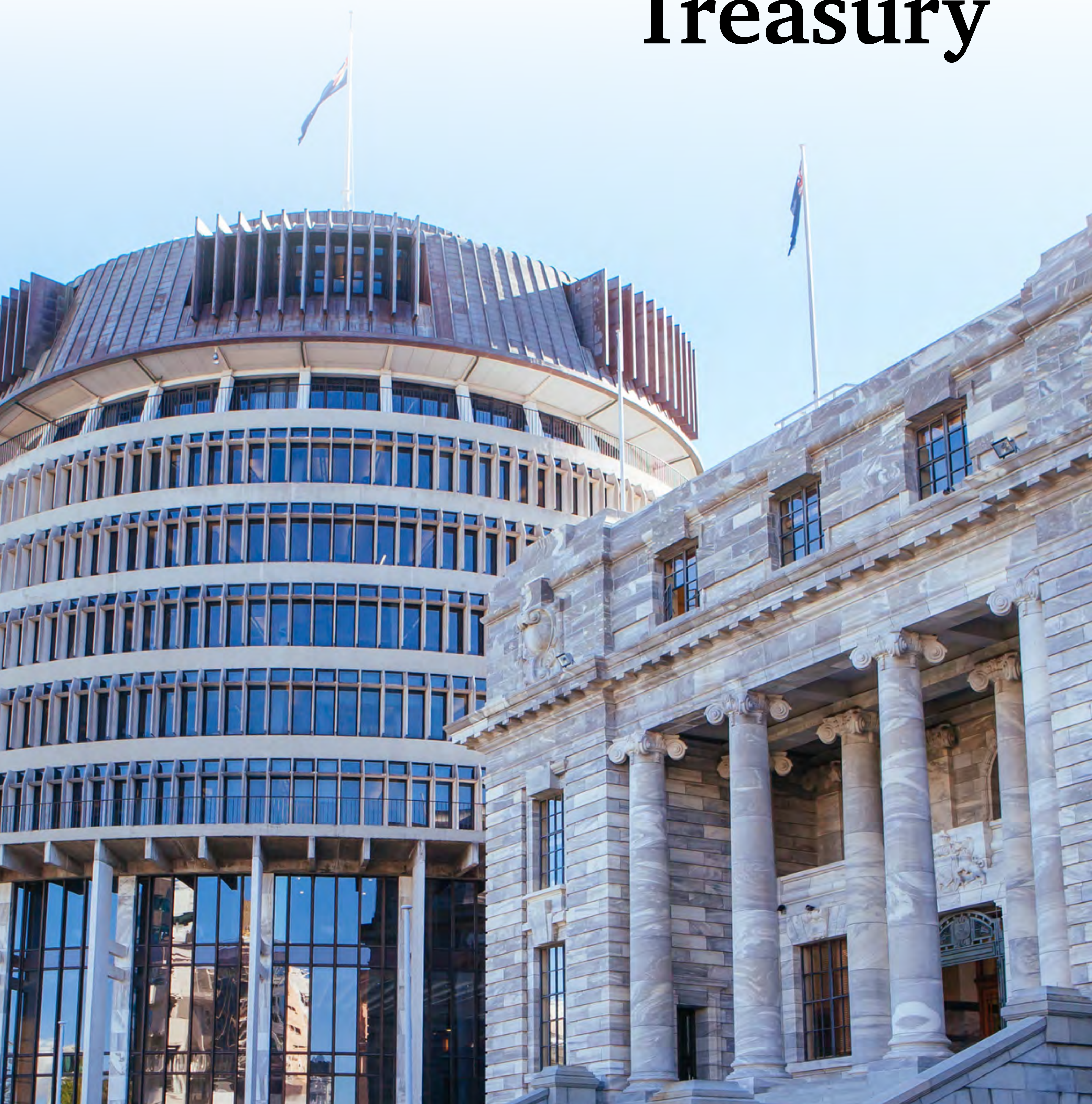
Asset recycling

Many New Zealand ports, airports and electricity generators and electricity distribution companies are owned or part-owned by local government bodies. A desire to free up capital, combined with a focus on diversification and resilience has the potential to drive transactional activity in the sector. This trend is likely to continue.

21 BusinessDesk, Transport dominates investment intentions – Treasury, November 2024 https://businessdesk.co.nz/article/policy/transport-dominates-investment-intentions-treasury
22 NZ Infrastructure Commission

07

Treasury



New Zealand's floating exchange rate

New Zealand's currency, the New Zealand dollar (NZD), has been on a free-floating exchange rate since 1985.

'… despite being the world's 51st-largest economy, New Zealand's dollar consistently ranks among the 15 most-traded currencies globally.'

As New Zealand relies significantly on external capital, relative interest rates substantially influence the NZD's value.

Additionally, the country's status as a leading exporter of agricultural products means commodity prices also play a role in shaping the currency's strength.

The floating exchange rate system allows the NZD to adapt to economic shocks by responding to external events. During periods of global uncertainty or economic downturns, such as the Global Financial Crisis or the early stages of the COVID-19 pandemic, the NZD may depreciate sharply.

This depreciation can benefit the economy by making exports more competitive and attracting tourism and investment. Conversely, in times of strong, relative economic growth, the NZD can appreciate, reducing inflation and suppressing net exports. Overall, this system has proven effective – despite being the world's 51st-largest economy, New Zealand's dollar consistently ranks among the 15 most-traded currencies globally.

Foreign Exchange Market and Hedging Instruments

Businesses in New Zealand have access to a comprehensive range of hedging instruments to manage foreign exchange (FX) risks, which are essential given the NZD's volatility and high degree of trade-related economic activity.

The most commonly used tool is the forward exchange contract (FEC), allowing companies to fix currency risks out multiple years against major trading currencies like the USD, GBP, EUR, AUD, JPY, CNH, SGD, and THB.

Large New Zealand banks have local dealing desks, though more significant or complex transactions might be handled through their Australian parent banks. Global banks also operate in New Zealand, often leveraging their offshore trading desks in Asia or Australia.

Interest rate markets

New Zealand boasts a robust domestic interest rate market, with overnight index swaps (OIS) trading several years out and a traditional swap curve extending up to 15 years.

Although liquidity for longer-term swaps is limited, most activity occurs within the 10-year range.

This swap market aligns with the domestic bond market, where issuances beyond 10 years are rare, except for those by the Government or the Local Government Funding Agency (LGFA). As noted in the Capital Markets section, about 90% of business lending comes from registered banks, which typically hesitate to commit to terms longer than 3-5 years. Consequently, businesses often manage interest rate risks independently, utilising the swap market.

Independent monetary policy and interest rates

The Reserve Bank of New Zealand (RBNZ) is tasked with maintaining price stability, promoting sustainable economic growth, and ensuring a sound financial system.

A primary tool in its arsenal is the Official Cash Rate (**OCR**), reviewed and set 7-8 times annually, akin to the US Federal Reserve's approach.

The OCR is the rate at which banks borrow and lend funds overnight and serves as a benchmark for various interest rates, including mortgages and business loans. The RBNZ's Monetary Policy Committee (MPC) determines the OCR based on economic conditions, inflation projections, and other factors. The OCR also indirectly influences the floating rate BKBM (Bank Bill Key Benchmark Rate), a reference rate used in New Zealand's financial contracts, similar to Australia's BBSW and the now-retired LIBOR in the US/UK.

08 Taxation

Overview of the New Zealand tax system

New Zealand has a broad-base tax system with few exemptions and concessions (with the notable exception that there is no comprehensive capital gains tax).

28%

is the flat rate companies are taxed at.

'New Zealand is generally considered to have a favourable tax environment for an investor's earnings and assets.'

New Zealand's key taxes are income tax, goods and services tax (GST) and payroll taxes. There is no inheritance tax, no stamp duty and no local or state income taxes.

New Zealand is generally considered to have a favourable tax environment for an investor's earnings and assets. For example, New Zealand recently introduced the Investment Boost initiative. Investment Boost is an accelerated tax depreciation regime designed to encourage businesses to invest in productive assets. It allows businesses to deduct an immediate 20% of the value of new assets (purchased from 22 May 2025) in the first year the asset is available for use in New Zealand, on top of normal depreciation for the year (based on 80% of the cost base).

New commercial and industrial buildings, which do not otherwise qualify for tax depreciation deductions, and capital improvements may also qualify.

Second hand assets that were not previously available for use in New Zealand may also attract an immediate 20% deduction.

Some assets are not eligible for Investment Boost including land, trading stock, residential buildings, and fixed-life intangible assets such as patents and some software contracts.

Residency

A New Zealand tax resident's worldwide income is subject to tax in New Zealand. A non-New Zealand tax resident is also subject to tax in New Zealand to the extent the income has a source in New Zealand.

Tax residency for an individual is generally based on whether the individual has a 'permanent place of abode' in New Zealand or is present in New Zealand for more than 183 days in a 12-month period. Tax residency for a company is generally based on whether the company is incorporated in New Zealand, has its head office or centre of management in New Zealand, or control of the company by its directors is exercised in New Zealand.

Income tax

Currently, individual tax rates are on a graduating scale, with marginal tax rates from 10.5% (on annual income up to NZ$15,600) to 39% (on annual income over NZ$180,000). The trustee income tax rate is 39%.

Companies are taxed at a flat rate of 28%. Dividends are subject to income tax in New Zealand, and potentially withholding tax if paid to a non-resident. New Zealand operates an imputation regime that enables New Zealand shareholders to obtain a credit for tax paid at the company level, and provides that fully imputed dividends are not subject to withholding tax.

A business is subject to income tax in New Zealand if it is a business of a New Zealand tax resident, has a sufficient physical presence here, or has New Zealand-sourced income. Relief may be available from New Zealand income tax under New Zealand's double tax treaty network. Taxpayers must register with Inland Revenue (**IR**) and file an annual income tax return. Taxpayers will generally be required to pay provisional tax in three instalments over a year (calculated by a method prescribed by IR). Underpayments and late payments of tax may result in IR charging interest or late payment penalties.

Losses

Tax losses incurred by a taxpayer may be carried forward and offset against future income.

In the case of a company, this is subject to maintaining a 49% continuity of shareholding from the income year in which the loss was incurred to the year in which it is used to offset income. There is no ability to carry back tax losses to prior income years.

For a company, if there is a breach of the 49% shareholder continuity requirement for carrying forward tax losses, it may still be possible for the company to carry forward tax losses if it satisfies the business continuity test (**BCT**). The BCT will generally allow tax losses to be carried forward if there is no 'major change' in the nature of the company's business activities within five years of the continuity breach, and other criteria are met.

Whether or not a major change has occurred will be assessed based on factors such as:

- assets used;
- business processes;
- use of suppliers;
- markets supplied to; and
- type of product or service supplied.

A tax loss of a company may be made available to another company in certain circumstances where both companies are in the same group of companies and other conditions are also met.

Employment tax

Businesses intending to employ people in New Zealand must register with IR.

Filing requirements depend on the number of people being employed. Employer tax obligations include KiwiSaver contributions, PAYE, and employer superannuation contribution tax (**ESCT**). If a business provides a benefit to an employee outside of normal salary and wages, the employer may be subject to fringe benefit tax (**FBT**).

Tax obligations in respect of contractors are different to those that apply in respect of employees. New Zealand taxpayers need to ensure that staff and contractors are classified appropriately. (See Employment Section 10).

Withholding tax

New Zealand imposes resident withholding tax (**RWT**) on passive income paid to residents (e.g. interest and dividends) and non-resident withholding tax (**NRWT**) on passive income paid to non-residents (e.g. interest, dividends and royalties), subject to any applicable double tax agreement.

New Zealand borrowers may be able to apply New Zealand's approved issuer levy regime to reduce the withholding tax cost on interest paid to a third party non-resident lender.

Withholding tax is also imposed on other types of payments, including payments to non-resident contractors, entertainers and sportspeople, and New Zealand contractors within specified industries. Exemption certificates can be obtained in specified circumstances.

Goods and services tax

New Zealand imposes a goods and services tax (**GST**) at a rate of 15% of the value of supplies of goods and services in New Zealand (subject to certain exclusions). GST is also charged on imported goods and certain imported services.

Taxpayers are required to register for GST and file regular returns if they make (or expect to make) supplies worth more than NZ$60,000 in a year.

Importers

The majority of goods imported into New Zealand are subject to GST at 15% of their declared customs value, being the total of the value of goods, any amount of tariff duty (if any), and international transportation and insurance costs (special rules apply to low value imported goods equal to or less than NZ$1,000). The import GST can be recoverable via the importer's GST return if the importer of record is GST registered and uses (or makes available to use) the goods for its taxable supplies in New Zealand. Tariff duty may apply based on the value of the item imported, at a rate that depends on the tariff classification of the item and its country of origin.

Transfer pricing

New Zealand's transfer pricing rules require cross-border transactions between related parties to be priced on arm's length terms. The transfer pricing regime is focused on economic substance over legal form, making it critical that cross-border arrangements (and ultimately, the taxable profits of a New Zealand entity) align with the level of economic activity undertaken in New Zealand.

New Zealand typically follows OECD guidance as to how an arms' length price should be determined. However, there are unique rules which apply to the deductibility of interest where total cross-border related-party debt exceeds NZ$10 million. Simplification measures are also available to support taxpayers with managing their local compliance burden provided certain criteria are met.

Obtaining contemporaneous New Zealand-specific transfer pricing documentation places taxpayers in the strongest position to defend the transfer pricing position taken during a given financial year and to mitigate the risk of penalties being imposed.

Thin capitalisation

New Zealand also has a thin capitalisation regime that limits the deductibility of interest in New Zealand for foreign owned entities depending on the debt to asset ratio in New Zealand, and of the owner's worldwide group.

Pillar Two – global minimum effective tax rate

Following the OECD-led initiative, New Zealand has introduced legislation that gives effect to the global minimum effective tax rate rules (referred to as Pillar Two). New Zealand has incorporated Pillar Two by reference to the relevant OECD materials, meaning that New Zealand's rules will automatically update as Pillar Two continues to develop at the OECD. New Zealand's rules came into effect from 1 January 2025.

At a high level, large multinational groups falling within the scope of the rules (with annual global revenues over €750m) will be required to pay tax at a minimum rate of 15% on their profits in each jurisdiction. Pillar Two has implications for groups headquartered in New Zealand and for groups headquartered outside New Zealand but with a New Zealand presence.

Groups with a New Zealand presence and within the scope of the rules must register with IR, complete a GloBE Information Return and file an annual Multinational Top-Up Tax Return in New Zealand stating the amount of top-up tax payable (if any). Failure to meet the registration or filing requirements may result in penalties of up to NZ$100,000.

New Zealand is not expected to implement a Qualified Domestic Minimum Top-Up Tax. However, New Zealand plans to extend its rules with effect from 1 January 2026 by implementing a Domestic Income Inclusion Rule so that domestic undertaxed profits of New Zealand-headquartered MNEs are taxed in New Zealand rather than in other jurisdictions. This could mean tax being payable in New Zealand on certain otherwise tax-free capital gains.

Double tax agreements

New Zealand has a network of 41 double tax agreements with its main trading partners and is a party to the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI).

New Zealand has an intergovernmental agreement with the USA in relation to its FATCA regime and is a party to the OECD's Automatic Exchange of Information initiative.
New Zealand also has a number of Tax Information Exchange Agreements in force with various jurisdictions.

15%

GST the majority of goods imported into New Zealand are subject to.

$60k

Taxpayers are required to register for GST and file regular returns if they make (or expect to make) supplies worth more than NZ$60,000 in a year.

$100k

Failure to meet the registration or filing requirements of Pillar Two may result in penalties of up to NZ$100,000.

41

New Zealand has a network of 41 double tax agreements with its main trading partners.

09

Property

Title to land

In New Zealand, all land titles are maintained in a comprehensive, searchable online registry, with the Government guaranteeing the completeness of these records.

This ensures a high level of certainty and security when purchasing and holding title to land. The process of acquiring and transferring land can be made reasonably straightforward when guided by experienced property law practitioners.

New Zealand law recognises various types of property interests, including freehold, leasehold (both residential and commercial properties), cross-lease, and unit titles. Additionally, there are personal rights to use land granted by licences.

Unique land rights are also recognised, such as the right to extract resources from land and certain rights associated with Māori land.

With the exception of the Overseas investment regime (see Section 5), there are no other distinctions between domestic and overseas purchasers of land.

Purchasing land

In New Zealand, the usual process for acquiring residential or commercial property begins with signing an agreement for sale and purchase.

These agreements often include conditions that, for example, provide a purchaser with an opportunity to conduct due diligence on the property after signing an agreement for sale and purchase of real estate. Common conditions of sale may include:

- reviewing records of title;
- completing a satisfactory building inspection;
- resolving any resource management issues;
- arranging finance; and
- in respect of leased commercial or industrial buildings, reviewing those leases.

‘New Zealand law recognises various types of property interests, including freehold, leasehold (both residential and commercial properties), cross-lease, and unit titles.’

Tax on land held as an investment property

New Zealand taxes net rental income derived from real property.

The applicable income tax rate depends on the profile of the investor(s).

From April 2024, the ability to claim tax depreciation on commercial and industrial buildings ceased to be available, although depreciation can still be claimed on commercial fit-outs. Similarly, tax depreciation is not available for residential properties, including most build-to-rent developments. Inland Revenue prescribed depreciation rates must be used for tax purposes irrespective of what rates are used for accounting.

Deductions for interest are generally available in relation to borrowing used to acquire commercial property, subject to several restrictions including the general anti-avoidance provisions, thin capitalisation, transfer pricing and anti-hybrid rules. As of 1 April 2025 there is an ability to claim 100% of interest deductions on residential rental property borrowing.

Tax on disposal of land

While New Zealand does not have a comprehensive capital gains tax, there are a number of land taxing provisions that may apply to tax gains on the sale of land that would otherwise be considered a capital investment.

These include, for example:

Bright-line test

A bright-line test applies to residential land sold within two years from acquisition. The current rules provide that on such sale, any gain on the sale price may be taxable, except in certain circumstances such as when the property is used as the seller’s main home.

Dealer, developer, or builder rules

Gains from land sales may be taxed if the land was acquired by individuals or entities engaged in land dealing, development, or building activities, or by those associated with such persons.

Land development for sale

If land is developed with the purpose of sale, any gains from the sale may be subject to taxation.

Purpose or intention of disposal

Gains may be taxed if the land was acquired with the intention or purpose of resale at a profit.

Commercial leases

In New Zealand, commercial leases are typically governed by a combination of statutory law, such as the Property Law Act 2007, and the specific terms and conditions outlined in individual lease agreements.

Many commercial leases in New Zealand use standard form agreements, such as those provided by The Law Association (**TLA**). These forms are widely recognised in New Zealand and provide a comprehensive framework for both landlords and tenants, although they may be modified to suit specific needs.

The common terms that are typically negotiated between the landlord and tenant are:

- Length of the lease term.
- Rent and rent reviews (both frequency and type, with market, CPI-based and fixed increases, all as common methods of reviewing rent).
- Outgoings – Tenants are usually responsible for paying outgoings in addition to rent, which can include insurance, utilities, and maintenance costs.
- Repair and maintenance obligations.
- Assignment and subletting – Leases usually contain clauses setting out the process and need for landlord consent to an assignment or subletting of the lease.
- Reinstatement – Reinstatement refers to the tenant's obligation to return the leased premises to its original condition at the end of the lease term, excluding any liability for reasonable wear and tear.
- Default and termination – The lease will outline the default provisions and process for termination of the lease if any default is not remedied.

There are also terms implied in leases under the Property Law Act 2007 unless they are expressly negated or varied by the terms of the lease. Additionally both landlords and tenants must comply with other relevant legal requirements, including health and safety regulations, building codes, and any applicable zoning laws.

Environmental management

New Zealand has strong cultural respect for the natural environment which is reflected in our legislation.

New Zealand's resource consenting framework is a primary consenting process for activities which affect the environment, and deals with the management of natural and physical resources such as air, soil, freshwater and coastal marine areas.

The resource consenting regime, established under the Resource Management Act 1991 (**RMA**), has been subject to recent scrutiny and is in the process of undergoing a major reform.

Many development and infrastructure projects are required to obtain various types of consents under the RMA prior to commencement. Consents include subdivision consent, land use consent, coastal permits, water permits and discharge permits.

Navigating these consent processes requires a thorough understanding of both the legislative requirements and the ecological significance of the activities involved. Engaging with environmental and legal experts is advisable to ensure compliance and to promote sustainable development practices.

Building standards and consents

In addition to the resource consenting regime, the Building Act 2004 and the New Zealand Building Code provide performance standards for all building work in New Zealand, covering aspects such as structural stability, fire safety, access, moisture control, durability and energy efficiency. Additionally, there is an increasing focus on sustainable building practices, with new measures being implemented to tackle the impacts of climate change. This involves updating building codes and standards to enhance energy efficiency and resilience. Similar to the resource consenting process, building consents can be obtained from local authorities.

Seismic activity can be a particularly relevant consideration in New Zealand, and the Building Act 2004 and building consent regime includes minimum seismic performance requirements for existing and new buildings respectively.

10

Employment

The employment landscape in Aotearoa New Zealand

The Employment Relations Act 2000 (ERA) is the primary piece of legislation that governs relationships between employees and employers in New Zealand, and establishes an employment dispute resolution framework.

New Zealand is a common law country, with a separate labour jurisdiction made up of the Employment Relations Authority (a quasi-judicial tribunal) and the Employment Court (which determines legal disputes and interprets employment legislation).

'The unemployment rate currently remains below the historical average (measuring 5.1 percent in the first quarter of 2025)'

New Zealand's employment law framework is generally considered to be 'employee friendly' and places relatively onerous obligations on employers, compared to other similar jurisdictions.

However, the current Government, a centre-right coalition, is considered 'pro-business' and is proposing a number of legislative changes this term which, if passed, have the potential to wind this back somewhat and even the playing field. The Employment Relations Amendment Bill, which proposes a number of such changes to the ERA, has been introduced to Parliament. We expect this Bill will pass in late 2025.

The unemployment rate currently remains below the historical average (measuring 5.1 percent in the first quarter of 2025)[23] with the labour market stagnant but expected to grow. In this context, and against a backdrop of legislative reform, employers in New Zealand should ensure they have a good understanding of their legal obligations and are set up for success with compliant employment documentation and processes.

Minimum entitlements

New Zealand employment law provides for a set of minimum entitlements that must be complied with.

Minimum wage

All employees aged 16 years or over must be paid the minimum wage. From 1 April 2025, the minimum wage in New Zealand is NZ$23.50 per hour before tax.

Paid time off

Each year, employees are entitled to 12 public holidays, four weeks of paid annual leave (after 12 months of continuous employment) and paid sick leave (10 days), family violence leave and bereavement leave. The Holidays Act 2003 (**Holidays Act**) governs these minimum entitlements and is a complex piece of legislation which has given rise to compliance issues for many businesses in recent years.

23 https://www.stats.govt.nz/indicators/unemployment-rate/

Parental leave

Eligible employees are entitled to up to 52 weeks unpaid parental leave, with up to 26 weeks paid by the Government.

Good faith

The statutory duty of good faith is the equitable cornerstone of employment relations in New Zealand.

It requires parties in an employment relationship to be responsive and communicative, and to not mislead or deceive the other. As a general rule, employers must consult with employees before taking any action that might impact the workforce and particularly before making any changes that may affect ongoing employment.

Employment agreements

All employees must have written employment agreements containing certain mandatory terms.

Employment agreements may take the form of an individual agreement between an employer and employee, or a collective agreement if employees are members of a trade union.

Most employees in New Zealand work on a permanent basis.
A person can also be employed on a fixed-term or casual basis. There are different legal requirements and entitlements for different types of employment relationships.

Dismissal

Employers cannot 'fire at will' in New Zealand.

Termination must meet the statutory test of justification, meaning it must be justified by one of a limited set of reasons (for example, misconduct, performance issues, redundancy or incapacity) and there are procedural requirements that must be followed.

A new employee's employment may be subject to a trial period of 90 days or less to test their suitability for the role. An employer may dismiss an employee on notice during the trial period, if certain strict processes are followed, in which case the employee is not able to bring an unjustified dismissal claim.

The Employment Relations Amendment Bill proposes to introduce a threshold limiting the ability for high earners to raise personal grievance claims related to their dismissal. It also includes limiting potential remedies for all employees whose conduct contributes to the circumstances of their claim.

Redundancy

New Zealand employees are not entitled to any statutory compensation or severance payments.

However, there may be a right to compensation as agreed between the employee and the employer as a matter of contract. All employees are entitled to their contractual notice period, as well as any outstanding salary and annual leave entitlements if they are made redundant.

Employees in specific industries (e.g. cleaning services, food catering and aged care), where jobs are particularly vulnerable to restructuring, have additional statutory protections under the ERA.

Dispute resolution

Currently, all employees who believe they have been treated unfairly have access to New Zealand's personal grievance regime.

A personal grievance is a particular type of complaint which must be made to the employer within 90 days of any alleged instance of discrimination, harassment, bullying, or any disadvantage or dismissal (or, in the case of alleged sexual harassment, within 12 months of the event occurring).

If a dispute cannot be resolved directly between an employee and employer, the Government provides a free mediation service. A dispute that cannot be resolved at mediation may be escalated to the Employment Relations Authority, or higher, to the Employment Court. The vast majority of employment relations disputes are resolved by way of a confidential settlement agreement before, or at, the mediation stage.

Collective representation

Employees in New Zealand can choose whether or not to join a trade union.

Employers, unions and employees are encouraged to work together and have a statutory duty to do so in good faith.

Overall, when considered in an historical context, national union membership remains relatively low (approximately 14.5 percent of all employees as of 1 March 2024).[24] The public and community services industries (such as health care and social assistance, public administration and safety, and education and training) are currently the most unionised sectors.

The Employment Relations Amendment Bill seeks to reform sections in the ERA which govern how unionised workplaces onboard new employees, and other obligations regarding the provision of union information.[25]

Independent contractors

Businesses can also engage independent contractors to provide services.

Independent contractors are not afforded the same minimum statutory entitlements as employees and are responsible for meeting their own tax obligations.

Contractors can challenge their status in the courts if they believe they are not genuine contractors, and should be classified as employees (despite any contractual or other documentation to the contrary). If they are successful, this can give rise to liabilities for minimum entitlements under employment legislation and tax issues for the employer.

Employment Relations Amendment Bill intends to amend the ERA by introducing a proposed 'gateway test' to provide greater clarity when assessing worker status.[26]

Health and Safety

The Health and Safety at Work Act 2015 and related regulations set out New Zealand's workplace safety regime.

Businesses are responsible for the health and safety of their workers (including employees and any independent contractors) and anyone affected by their work, and must provide and maintain a safe working environment, taking into consideration both physical and mental wellbeing.

In the case of a breach, a business and its officers (including directors) can be prosecuted in the criminal courts by the regulator, WorkSafe New Zealand, and significant penalties can be imposed (including fines and, in the case of officers of offending employers, imprisonment).

The Government has announced its intention to make reforms to New Zealand's health and safety laws and regulations. The first set of reforms will seek to reduce the compliance burden for businesses and clarify health and safety duties. These changes are expected to be introduced in 2025.[27]

24 https://www.companiesoffice.govt.nz/all-registers/registered-unions/annual-return-membership-reports/
25 https://www.beehive.govt.nz/release/cutting-red-tape-start-employment
26 https://www.beehive.govt.nz/release/increased-certainty-contractors-coming
27 https://www.mbie.govt.nz/about/news/first-set-of-changes-for-health-and-safety-reform

Insurance

Accident Compensation Corporation (ACC) is a form of social insurance which provides personal injury cover for everyone in New Zealand.

It is a no-fault system that provides compensation to people who are injured in accidents (including those suffered at work). Legal action for personal injury is generally prohibited in New Zealand.

Employers in New Zealand are not required to offer health insurance to employees, but they must contribute to ACC through regular levies. Employers that do not pay ACC levies can be liable for significant penalties.

KiwiSaver

KiwiSaver is a voluntary, work-based savings scheme designed to help New Zealanders save for their retirement.

While KiwiSaver is not compulsory, employees must 'opt-out', meaning employers must enrol any eligible new hires and provide them with opt-out information.

Employees that participate in KiwiSaver must contribute a defined percentage of their before tax earnings (at least 3%). These contributions are deducted by their employer each time they are paid. Separately, employers must also make a compulsory contribution of at least 3% of each participating employee's salary or wages before tax. Private superannuation schemes are fairly uncommon in New Zealand.

The Government has announced that employee and employer KiwiSaver contributions will increase from 3% to 3.5% on 1 April 2026. On 1 April 2028, this will rise to 4%.

'The Government has announced that employee and employer KiwiSaver contributions will increase from 3% to 3.5% on 1 April 2026. On 1 April 2028, this will rise to 4%.'

11

Privacy

Data privacy

Data privacy in New Zealand is governed by the Privacy Act 2020 (Privacy Act).

The Privacy Act sets out how individuals and organisations (both public and private) can collect, hold, use, and disclose Personal Information. Personal Information means any information about an identifiable individual (for instance, an individual's name, address, financial information, or health details).

Any organisation carrying out business in New Zealand, providing services to New Zealanders, and/or collecting their Personal Information for its own purposes is subject to the Privacy Act.

'All organisations carrying on business in New Zealand (and subject to the Privacy Act) must appoint a privacy officer.'

Information privacy principles

The Privacy Act contains a set of 13 principles.
These provide the substantive requirements for collecting and using Personal Information and are similar to the information privacy regime in Australia. Broadly, they are as follows:

1	**Data minimisation**	Only collect information necessary for your lawful purpose and nothing more.
2	**Source of information**	Collect the information directly from the individual concerned.
3	**Transparency**	When collecting information directly from the individual, make the individual aware of a number of elements including why the information is being collected.[28]
4	**Manner of collection**	Collect the information in a fair and lawful way without being unreasonably intrusive.
5	**Security**	Implement security safeguards to protect the information from being lost, misused, or disclosed.
6	**Access**	Individuals have the right to access their personal information.
7	**Corrections**	Individuals are entitled to request corrections to their personal information.
8	**Accuracy**	Take reasonable steps to ensure the personal information is current, complete, and not misleading.
9	**Storage limitation**	Ensure personal information is not held longer than necessary.
10	**Use of personal information**	Only use personal information for the purpose it was collected.
11	**Disclosure limitation**	Keep personal information confidential unless permitted to disclose it under the Privacy Act.
12	**Transfer of personal information outside Aotearoa New Zealand**	Disclose personal information outside of New Zealand only if the required statutory safeguards under the Privacy Act are in place.
13	**Unique identifiers**	Ensure unique identifiers used by other companies are not replicated (for instance, requiring an individual to use their Tax number to identify them to you).

28 The Ministry of Justice has introduced a Bill to expand principle 3 to require agencies to inform individuals when they collect personal information indirectly, e.g. from third parties (the current principle only applies when collecting information directly from the individual).

The Privacy Act 2020 applies to offshore persons carrying on business in New Zealand, regardless of where the information is collected or held, and where the person to whom the information relates is located. If you plan to collect and/or use Personal Information as part of carrying out business in New Zealand, we recommend that you assess your operations against the 13 Information Privacy Principles set out in the Privacy Act.

All organisations carrying on business in New Zealand[29] (and subject to the Privacy Act) must appoint a privacy officer – a person who will ensure the organisation is compliant with the Privacy Act.

The New Zealand Office of the Privacy Commissioner (**OPC**) is responsible for monitoring and enforcing compliance with the Privacy Act. The Privacy Act requires organisations to notify the OPC where there has been a serious privacy breach (for instance a cyber attack or an incident which means that personal information has been lost or exposed). OPC guidance is that this notification should happen within 72 hours. You may also be required to notify the individuals who have been impacted by a privacy breach.

Failure to report a notifiable privacy breach to the OPC without reasonable excuse is a criminal offence, with a maximum fine of NZ$10,000.

Complaints about a breach of the Information Privacy Principles are investigated by the OPC and may be referred to the Director of Human Rights Proceedings (**DHRP**) if the matter is not able to be resolved by the OPC. The DHRP has the ability to bring the matter before the Human Rights Review Tribunal and the Tribunal can award damages for a breach of privacy (up to a maximum of NZ$350,000). The Privacy Act allows a class action mechanism for individuals impacted by a breach of privacy. Using this mechanism, a representative may bring a class action to the Human Rights Tribunal for an interference with their privacy on behalf of a class of individuals.

Consumer Data Right (CDR)

The Customer and Product Data Act 2025 came into force on 29 March 2025 and introduces a consumer data right (CDR) on specific designated sectors.

The CDR allows customers to authorise third party ‘accredited requesters’ to request their data from ‘data holders’ (such as banks and electricity companies) and request that data holders initiate certain actions on their behalf.

Banks will be the initial entities designated as ‘data holders’ and required to comply with the CDR, and regulations and technical standards will be issued under the Act by 1 December 2025. The electricity sector is likely to be the second designated industry, with regulations expected to be rolled out in 2026.

The development in CDR in the banking sector is anticipated to open up opportunities for new financial technology companies to enter the market as ‘accredited requesters’. This development provides competition, not only for the services currently offered by banks, but also new and innovative services.

29 The Privacy Act does not use the same definition of ‘carrying on business’ as the definition used to determine whether overseas companies must register as a branch in New Zealand.

12

Intellectual property

New Zealand has a comprehensive and robust legal regime for the protection of intellectual property rights

These laws are aligned with international norms, with New Zealand being a signatory to a number of international intellectual property treaties and conventions including TRIPs, the Paris Convention, the Berne Convention, the Patent Cooperation Treaty, the Singapore Treaty, and the Madrid Protocol.

Many New Zealand companies are adept at developing valuable intellectual property and often seek out offshore capital to enable them to deploy the intellectual property, both domestically and for sale or licence overseas.

The robust intellectual property regulatory system in New Zealand is attractive to foreign investors, as it establishes the framework for protecting their investment in new products, brands and ideas while allowing firms to drive innovation and productive uses of these assets.

We recommend registering any trade marks intended to be used by the business, as registered trade marks are usually cheaper and easier to enforce than unregistered trade mark rights.

Trade marks

Trade marks can be registered in New Zealand under the Trade Marks Act 2002.

A trade mark grants the owner the exclusive right to use that trade mark in New Zealand in relation to the goods or services for which it was registered as long as the registration is renewed every 10 years. Trade marks that qualify for registration can include signs, symbols, words, logos, shapes, colours, sounds, and smells.

'New Zealand is a signatory to the Madrid Protocol, which facilitates trade mark applications internationally and into New Zealand.'

New Zealand is a signatory to the Madrid Protocol, which facilitates trade mark applications internationally and into New Zealand.

Both registered and unregistered trade marks are protected under the common law tort of passing off and the Fair Trading Act 1986 (**FTA**). A passing off action can be used to prevent use of an identical or similar trade mark by third parties where that use would likely lead the public to believe that the third party is the same as or related to the trade mark owner. The FTA prohibits misleading and deceptive conduct in the course of trade, which includes misleading use of someone else's trade mark. The scope of protection under passing off and the FTA will depend on the use of and reputation in the trade mark, and generally registration of your trade mark provides better protection.

Copyright

Copyright applies automatically on the creation of certain original works, including writing (literary works), artistic works, music, sound and video recordings, designs, and software code.[30]

Copyright duration depends on the category of work, but is generally the life of the author plus 50 years. The Copyright Act 1994 also provides protection for industrial designs for a period of 16 years from the date of first mass production.

Tax

Numerous tax issues may arise where intellectual property is deployed offshore. During the early research and development stages, research expenditure is generally deductible in the year incurred, while development expenditure tends to be capitalised and amortised over the life of the asset. At the commercialisation stage, effective structuring will be important where intellectual property is deployed offshore.

30 This also includes machine-generated works – making New Zealand a country that affords copyright protections to at least some AI outputs.

If intellectual property is licensed offshore, royalties may be received in, or paid out of, New Zealand. Most countries with which New Zealand businesses trade will impose withholding tax on royalties paid to an offshore company.

Tax considerations will also apply on the sale of intellectual property and depend on the types of intellectual property involved.

New Zealand offers a Research and Development (R&D) Tax Incentive to encourage businesses to invest in innovation in New Zealand. The tax incentive provides a tax credit at a rate of 15 percent of eligible R&D spend, up to $120 million a year, which is broadly refundable as cash. Subject to certain restrictions, entities may be eligible for the incentive even when the R&D is performed on behalf of a related party or the IP generated is held internationally within the group, or if being performed in New Zealand through a permanent establishment.

Registered designs

The Designs Act 1953 governs the registration of 'designs' applied to an article (by an industrial process or means) that are new or original features of shape, configuration, pattern or ornament. Protection through registration can last up to 15 years, subject to the payment of renewal fees.

Patents

Patents grant the owner the exclusive right to exploit their inventions and licence them to others for a period of up to 20 years, subject to the payment of annual renewal fees after the first four years.

The invention must be novel, inventive, and useful. Novelty is assessed on an absolute (or worldwide) basis. It also means that your invention must remain confidential (and not be in use or widely known) until you seek patent protection. In New Zealand, patents are examined for patentability prior to grant. There are pre-grant opposition processes should third parties wish to challenge a patent, and re-examination and revocation processes post-grant.

Other intellectual property rights

New Zealand legislation also provides protection for:

- plant varieties
- geographical indications (currently only for wines and spirits, but this will expand to a broader range of food and agricultural products once the provisions of the New Zealand-European Union Free Trade Agreement are implemented domestically)
- layout designs for integrated circuits
- ambush marketing in connection with designated major events
- moral rights

Checking for prior conflicting intellectual property rights will also be important before launching a new business, brand, product or service in New Zealand.

13

Contracts and consumer protection

New Zealand's contract law

New Zealand's contract law is founded on English common law principles and supplemented with various pieces of legislation. Its objective is to facilitate business arrangements on commercially agreed terms and generally without the courts having to intervene unless it is absolutely necessary.

The application of contract law in New Zealand is the same regardless of whether the contracting parties are foreign-owned or New Zealand-owned. It is possible, however, to select the jurisdiction that will govern the contract and where any disputes must be heard – this can be done on either an exclusive or non-exclusive basis.

Contract and Commercial Law Act 2017

The Contract and Commercial Law Act 2017 (CCLA) provides a 'one stop shop' for various rules that relate to issues that commonly arise in contractual arrangements. For example:

Contractual privity

The CCLA permits a person who is not a party to a deed or contract to enforce a promise made in it for the benefit of that person.

Mistakes, frustration and misrepresentation

The CCLA outlines the remedies available where a contract contains a mistake, is impossible to perform, or has been entered into on the basis of a misrepresentation (subject to the satisfaction of certain criteria).

The sale of goods

The CCLA implies various rights and obligations into contracts relating to the sale of goods, unless, where permitted, the parties expressly agree otherwise. For example, the CCLA specifies when property and risk will pass from seller to buyer. It also imposes minimum conditions and warranties about the quality of goods to ensure that the goods are reasonably fit for purpose.

Electronic transactions

Technology and electronic means may be used to conclude transactions, subject to default rules implied by the CCLA. For example, electronic signatures may be used to sign contracts in place of wet-ink, provided that it meets certain identification and reliability criteria.

Remedies

Depending on the relevant contractual situation, the CCLA provides the courts with the power to provide relief in any form that it thinks is just, such as variation or cancellation of the contract and/or damages.

Consumer protection

New Zealand's trade practices and consumer protection regimes are governed by the following legislation:

- Commerce Act 1986
- Fair Trading Act 1986
- Consumer Guarantees Act 1993
- Credit Contracts and Consumer Finance Act 2003

Commerce Act 1986

The Commerce Act 1986 (**Commerce Act**) protects consumers by regulating commercial conduct to promote competitive markets within Aotearoa New Zealand.

The Commerce Commission was established by the Commerce Act to enforce competition, fair trading and consumer credit laws. To do so, the Commerce Commission has the ability to clear and authorise business mergers and acquisitions, regulate certain goods and services, receive and investigate complaints under the Commerce Act, as well as prosecute alleged contraventions of the same (see Mergers and Acquisitions at Section 4).

Fair Trading Act 1986

The Fair Trading Act 1986 (**FTA**) regulates conduct and practices in trade to protect consumers. Notably, the FTA:

- prohibits misleading and deceptive conduct in trade, as well as unsubstantiated, false or misleading representations
- prohibits 'unconscionable conduct' in trade broadly being unfair and unreasonable conduct, and which can involve a one-off activity or a system or pattern of conduct
- prohibits 'unfair practices' in trade such as offering gifts and prizes without intending to supply them, bait advertising, and pyramid selling schemes
- prohibits unfair terms in standard form consumer contracts (business-to-consumer) and small trade contracts (business-to-business contracts for less than NZ$250,000 per annum)
- establishes standards for disclosure of information relating to the kind, quality, design and other characteristics of goods or services for the benefit of consumers
- establishes product safety standards that must be complied with for any class of goods and services to prevent risk of injury to any person
- regulates several other consumer contractual matters, such as layby sale agreements, direct sale agreements (via telephone or door-to-door), extended warranty agreements and auctions

Businesses cannot contract out of the FTA with consumers, but are able to do so with other businesses under certain conditions.

Failure to comply with the FTA constitutes an offence which may result in various civil remedies including fines and court orders, as well as criminal sanctions in some instances. The FTA also empowers the courts to impose management banning orders on individuals who are repeat offenders under the FTA.

Many of the prohibitions set out in the FTA are also repeated in the Financial Markets Conduct Act 2013, though relating specifically to financial products.

'The Commerce Commission was established by the Commerce Act to enforce competition, fair trading and consumer credit laws.'

Consumer Guarantees Act 1993

The Consumer Guarantees Act 1993 (**CGA**) provides various implied guarantees to protect consumers of goods and services from suppliers in trade. These guarantees only apply to goods and services of a kind ordinarily acquired for personal, domestic or household use, where the goods are not acquired for the purposes of resupplying them in trade, using them in a manufacturing process or repairing the goods in trade.

The implied guarantees under the CGA include:

- goods being of acceptable quality
- goods being reasonably fit for a particular purpose
- goods or services being a reasonable price
- goods having parts reasonably available for repair purposes
- goods or services complying with their description or corresponding to the sample if provided
- services being carried out with reasonable skill and care
- goods being delivered and services being completed in a timely manner

The consumer may seek redress from the supplier or manufacturer if any of the above guarantees are not met.

Credit Contracts and Consumer Finance Act 2003

The Credit Contracts and Consumer Finance Act 2003 (**CCCFA**) regulates credit contracts entered into with consumers where money is loaned for personal use, including hire purchase and personal lending arrangements. However, the CCCFA does not apply where the credit is for commercial or investment purposes.

The CCCFA sets out limits on how much interest may be calculated and charged, and sets out disclosure requirements on lenders, including around interest and fees to help consumers compare the cost of borrowing and contract terms. Lenders cannot enforce credit contracts with consumers until all of the required disclosures have been made.

The CCCFA requires lenders to assess the suitability and affordability of the credit contract for the consumer before lending money or increasing the available credit on an existing loan. Borrowers may challenge 'oppressive' contracts and the CCCFA allows courts to vary credit contract terms which the courts determine to be unfair or unreasonable.

The CCCFA did not historically cover 'Buy Now, Pay Later' (**BNPL**) credit contracts because they do not typically charge interest or credit fees, or take security. However, from 2 September 2024, BNPL lenders are required to comply with all obligations of a lender under the CCCFA (with some modifications).

Parties may only contract out of the FTA and CGA in limited circumstances. Businesses proposing to offer goods or services in New Zealand should seek legal advice before doing so to ensure that they can meet their minimum obligations under the FTA and CGA.

14

Partnering with Māori and the Māori economy

These pou were commissioned by Cardrona Alpine Resort to embody the resort's uara (values).

Māori are the indigenous people of New Zealand and are key players in the New Zealand economy

'Today, real estate, property services, and professional services have emerged as leading contributors to the Māori economy and to national GDP.'

The Māori economy

The Māori economy plays a crucial role in driving New Zealand's economic success and is experiencing significant growth – this is projected to continue.

Over the last ten years, the Māori asset base has also grown at a significantly faster rate than the overall economy, and is now valued at almost $126 billion.[31]

The Māori economy is undergoing significant transformation, driven by a growing population (now 914,400 representing just over 17% of New Zealand's population) and an asset base, expanding its focus beyond traditional sectors such as agriculture, forestry, and fishing.

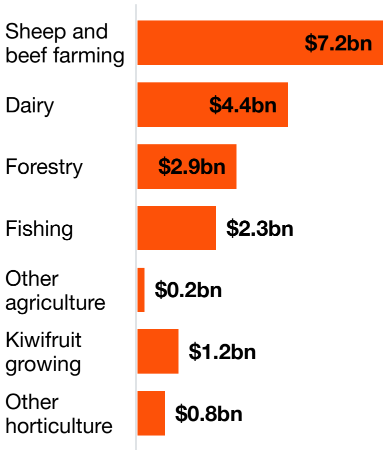
Although these industries were the primary economic drivers in 2018, that landscape has now shifted. Today, real estate, property services, and professional services have emerged as leading contributors to the Māori economy and to national GDP,[32] presenting new and diverse investment opportunities for those who are interested in partnering with Māori.

Treaty settlements (see Te Tiriti o Waitangi below) and a rapidly growing Māori asset base continue to provide Māori with capital for opportunities beyond the primary sector, with diversification among post-settlement governance entities (a legal entity established to receive and manage settlement assets on behalf of the claimant group) into the education, tourism, infrastructure, property development, and technology sectors.

31 Ministry of Business, Innovation and Employment: Te Ōhanga Māori 2023.
32 Ministry of Business, Innovation and Employment: Te Ōhanga Māori 2023.

We have also observed the emerging collective voice of Māori authorities (incorporations or trusts that are involved in the collective management of communally owned Māori assets) and land trusts who are significant contributors to the Māori and national economy. Māori collectives (Māori trusts, Māori incorporations and other Māori entities) make up $41 billion of the Māori asset base[33] with many having 'hundred million plus' balance sheets, strong governance and management, and long-term growth strategies.

Māori collectives are reported to own around 50% of all agriculture, forestry and fishing assets in the Māori economy:



Source: Ministry of Business, Innovation and Employment: Te Ōhanga Māori 2023.

Recent data[34] on Māori businesses indicates that:

- there are 1,338 Māori authorities and 3,849 other Māori enterprises (being, other Māori businesses that are economically significant but are not Māori authorities) – 7.2% of which were Māori tourism businesses
- Māori authorities have provided employment opportunities for around 12,300 individuals while other Māori enterprises have contributed to the workforce around 39,200 employees
- around 22% of Māori authorities operated in agriculture and other primary industries, with the average size of Māori farms being nearly three times as large as the average New Zealand farm
- Māori authorities exported $816m worth of goods, 29% of which went to China, while other Māori enterprises exported $534m worth of goods
- the total income for Māori authorities was $5.1b in FY23.

17%

of New Zealand's population is Māori (914,400).

$41bn

Total Māori asset base, made up from Māori collectives (Māori trusts, Māori incorporations and other Māori entities).

50%

Māori collectives are reported to own around 50% of all agriculture, forestry and fishing assets in the Māori economy.

33 Ministry of Business, Innovation and Employment: Te Ōhanga Māori 2023.
34 Tatauranga umanga Māori – Statistics on Māori businesses: 2023 (English).

Joint ventures with Māori

Joint ventures between Māori and non-Māori organisations are becoming increasingly common.

Māori organisations seek to partner with investors who in addition to contributing capital also contribute capability and expertise while recognising the strategic value (resource access, relationship networks and local understanding of regulatory processes) that Māori organisations bring to the relationship.

For some large projects requiring the use of natural resources, we are seeing a number of innovative ownership and commercial models which incorporate:

- strong alignment of values between partners and the development of covenants or kawenata (undertakings)
- access to global intellectual property, technology and innovations
- reciprocal access to channels to market
- mutual investment into the health of the environment and sustainability of the natural resources
- recognition of mana whenua and mana moana (local tribal authorities)
- representation on governing boards and executive management teams
- investment into skills, workforce, education and scholarship initiatives.

Alignment of values and a mutual focus on long-term investment goals often results in a successful joint venture between Māori and non-Māori parties.

Core values underpinning social and cultural objectives

Most Iwi and Māori collectives invest with wider social and cultural objectives in mind.

Common values underpinning these social and cultural objectives include:

- **Whanaungatanga**: Building and maintaining relationships.
- **Manaakitanga**: Care and hospitality, particularly for visitors, and building unity.
- **Rangatiratanga**: Stewardship of others and empowering Māori to advocate for their own people.
- **Kaitiakitanga**: Guardianship, particularly in respect of natural resources.

Māori organisations and collectives will also often have their future generations in mind and will look for long-term relationships where economic success can facilitate greater social outcomes and benefits for their people. It is important to Māori organisations and collectives that commercial investments perform to their maximum potential in order to achieve, and/or directly impact, their wider social and cultural objectives.

Overseas investors who are considering partnering with Māori collectives and organisations, or who are considering an investment that involves land or natural resources, may benefit from understanding the history and some of the guiding cultural values that Māori people and Māori organisations hold themselves to and should engage with Iwi early in the project.

Te Tiriti o Waitangi (the Treaty of Waitangi)

A treaty was signed by representatives of the British Crown and Māori chiefs representing some, but not all, Iwi in 1840.

This constitutional document of New Zealand's history has seen increased recognition in recent years with the continuing development of policy and legislation within Aotearoa and as the Government continues to negotiate and settle claims in relation to Treaty breaches and grievances (with such settlement packages typically including cultural and commercial redress as well as a Crown apology). These settlements help to provide Iwi with capital and assets enabling them to explore commercial ventures that support broader social and cultural goals for their communities.

The Treaty is expressly recognised in various pieces of legislation. For example, the Resource Management Act (RMA) 1991 and the Urban Development Act 2020 each provide a statutory requirement for persons exercising powers and functions to take into account the principles of Te Tiriti o Waitangi (see Property at Section 9 of this Guide for more information). The Local Government Act 2002 also recognises the Crown's responsibility to take appropriate account of principles of Te Tiriti o Waitangi and to maintain and improve opportunities for Māori to contribute to local government decision-making processes.

Iwi and Māori organisations and collectives play an important role in helping to grow the domestic capital needed to achieve growth in Aotearoa New Zealand's productive assets. It is important that investors understand the core values and cultural objectives that underpin investment for Māori organisations, and look to engage with Iwi early, in order to partner effectively.

PwC's Manukura Māori team is passionate about working with Iwi, Māori focused entities, and organisations to enhance Māori economic, social, cultural and environmental outcomes and help shape a future Aotearoa where all communities thrive. As a community of solvers, the Manukura Māori Business Team advises investors to successfully engage and do business with Māori organisations.

15 Climate regulations

Aotearoa New Zealand has a legally binding target to achieve net-zero greenhouse gas emissions by 2050. This is enshrined in the Climate Change Response (Zero Carbon) Amendment Act of 2019, which established a framework for the development and implementation of transparent and consistent climate change policies for Aotearoa New Zealand that:

1

Contributes to the global effort under the Paris Agreement to limit the global average temperature increase to 1.5° Celsius above pre-industrial levels.

2

Allows Aotearoa New Zealand to prepare for, and adapt to, the effects of climate change.

The evolving climate change landscape is complex to navigate, so it is important to stay up to date and engage advisors early to determine the most appropriate pathway for your business to meet its climate change goals and aspirations.

The New Zealand Emissions Reduction Plan (ERP)

The ERP sets out the actions we will take to meet our first emissions budget (2022-2025) and set New Zealand on the path to meet the second (2026-2030) and third (2031-2035) emissions budgets.

It establishes expectations for regulation and investment across various sectors to facilitate the decarbonisation of each industry. This approach will enable New Zealand to transition to a low-emissions future in a manner that is both achievable and affordable.

Alongside the establishment of the net zero goal, the Climate Change Response Act 2020 has introduced a framework of emissions budgets to serve as stepping stones towards the long-term national net zero target for New Zealand. The initial three emissions budgets, each based on a five-year time horizon, have been provisionally set. The first emissions reduction plan details the policies that the New Zealand Government intends to implement (or explore) to meet the first emissions budget while keeping the subsequent two budgets in mind.

The emissions budgets are relatively conservative, relying on existing technologies and a modest rate of adoption for best practice. However, with the implementation of a more significant cap on the NZU inventory (being the emissions units under the Emissions Trading Scheme), the NZU price has increased significantly, rising from below $2 in 2013 to nearly NZ$70 per tonne of CO_2 today.

Through the plan, sector specific sub-targets have also been set to help track progress across key sectors over each emissions budget period. While these are a useful tool for checking progress, they are not intended to lock New Zealand into a single pathway to meeting emissions budgets.

The New Zealand Emissions Trading Scheme (ETS)

The New Zealand ETS creates a price signal by setting a 'cap' – or limit – on greenhouse gas emissions.

Under the ETS, participants can purchase, earn, and trade permits for the right to emit. Participants can earn NZUs by removing greenhouse gases through certain activities. Over time, the cap will decrease in line with emissions budgets, reducing the supply of NZUs available for auction and driving up the incentive for emissions abatement. The ETS has a flexible cap that enables the volume of emissions within the scheme to be aligned with our emissions budgets.

This alignment is primarily achieved through adjustments to the units available for auctioning.

The Minister of Climate Change is required to update the overall limit, sub-limits, and price control settings every year, providing a five-year look ahead period. For example, the Government has recently introduced stricter controls on price and unit settings – with a view of preventing the 'vintaging' and 'stockpiling' of NZUs.

The Government is also required to set annual price controls for ETS auctions: a 'price floor' and a 'price ceiling'. These controls signal the bounds of acceptable NZU prices at auction and act as a safety valve if an auction's clearing price deviates outside these bounds. They also provide some certainty to businesses and investors on the future trajectory of NZU prices to aid the forecasting of emissions obligations, or to help with investment planning. NZUs are tradable assets. Accordingly, investors may buy and sell them on secondary markets, and it is possible to take security over NZUs. The Environmental Protection Agency manages a register of holding accounts to record holdings of NZUs.

The ETS covers all sectors of New Zealand's economy. Different sectors participate in different ways and the obligation around reporting and pricing of emissions is generally set as far up the supply chain as possible.

‘The agricultural sector is a significant contributor to New Zealand’s emissions, dairy being the largest single contributor.’

Agriculture

The agricultural sector is a significant contributor to New Zealand’s emissions (approximately half of gross emissions), dairy being the largest single contributor. Participants in the agricultural sector are not currently included in the ETS. The Government is actively working with the primary sector, Māori, farmers, and growers to manage emissions and will be implementing an agricultural emissions pricing scheme outside the ETS by 2030.

Forestry

Those who own or have rights to forest land can earn NZUs under the ETS for forests planted after 31 December 1989, and in turn, surrender NZUs for emissions released. The emissions impact of planting, forest management, harvesting, deforestation and natural events (such as fire or flood) are all covered. Owners of pre-1990 forest land can harvest and re-plant without liability, but the landowner (or the third party who had deforestation rights) must surrender NZUs for deforestation. The Government also plans on introducing policies limiting the conversion of farmland into ETS-earning forestry blocks early this year.

Aotearoa New Zealand Climate Standards (NZCS)

To support the ‘allocation of capital towards activities that are consistent with a transition to a low-emissions climate-resilient future’[35], the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 was introduced.

This Act amends the Financial Markets Conduct Act 2013 (**FMCA**), the Financial Reporting Act 2013, and the Public Audit Act 2001.

This new law mandates around 200 large financial institutions covered by the Act to publish climate-related disclosures every financial year. The requirements are based on standards published by the External Reporting Board (**XRB**), underpinned by principles and concepts from the Task Force on Climate-related Financial Disclosures (**TCFD**). New Zealand is one of the first countries in the world to require companies to make climate-related disclosures under these new regulations. The Standard aims to support the ‘allocation of capital towards activities that are consistent with a transition to a low-emissions climate-resilient future.’[36]

35 NZCS1
36 NZCS1

Entities required to make climate disclosures include:

- All registered banks, credit unions, and building societies with total assets of more than NZ$1 billion.
- All managers of registered investment schemes (other than restricted schemes) with greater than NZ$1 billion in total assets under management.
- All licensed insurers with greater than NZ$1 billion in total assets or annual premium income greater than NZ$250 million.
- Listed issuers of quoted equity securities with a combined market price exceeding NZ$60 million.
- Listed issuers of quoted debt securities with a combined face value of quoted debt exceeding NZ$60 million.

Greenhouse gas emissions disclosures

Under the NZCS guidance, climate reporting entities (**CREs**) are mandated to report their scope 1 and 2 greenhouse gas emissions for the first year of reporting, and scope 3 emissions for the second reporting period and every year thereafter.

The NZCS requires organisations to use the Greenhouse Gas (**GHG**) Protocol or International Organisation for Standardisation (**ISO**) standards to calculate greenhouse gas emissions. The standard methodology allows for comparability and consistency in reporting across captured CREs.

Those organisations captured will be challenged to account and mitigate material emission sources. Non-CREs involved in CRE supply chains may be asked to provide relevant information to report on associated emissions in their organisation's value chain.

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NZ Lawyer

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NZ Law Awards

Thank you