

NEW ZEALAND LOOK-THROUGH COMPANY

The New Zealand Look-Through Company is an entity providing all the advantages of separate corporate identity and limited liability, but with look-through treatment for tax purposes.

Advantages

- Corporate identity
- Limited liability
- No income tax liability at company level under the LTC regime
- Flow through taxation to shareholders and trustee shareholders

Criteria for Look-Through Company (LTC) status

To become an LTC and maintain LTC status, a company must meet the following criteria for the whole of each income year that they are an LTC:

- It must be a company (i.e. a body corporate or other entity with a legal existence separate from that of its members).
- It must be a New Zealand tax resident and not treated as a non-resident under any double tax agreement.
- All owners must have only look-through interests. There are special requirements for look-through interests depending on when the company is an LTC.
- There must be five or fewer look-through counted owners. Look-through counted owners must be either natural persons or trustees (including corporate trustees). There are special rules for determining the number of look-through counted owners.
- It must not be a flat-owning company.

Additional eligibility criteria

- It must not have an owner which is a tax charity or a Māori authority, unless the tax charity or Māori authority are grandparented.
- If the total ownership interests in the LTC are more than 50% held by foreign LTC holders, the LTC must not have a foreign-sourced amount for the year that is more than the greater of $10,000 or 20% of the LTC's gross income for the year.

If the LTC has an owner who is a trustee, the trust cannot:

- make a distribution to a company or Māori authority (unless the Māori authority is a grandparented Māori authority) which is directly or indirectly a beneficiary of the trust.
- make a distribution of income to a tax charity, unless the tax charity has no control or influence in relation to distributions from the trust or the operation of the LTC.

Taxation of Off-shore shareholders

A Look-Through Company is generally treated as transparent for New Zealand income tax purposes, with its income and losses attributed to its owners. A non-resident owner will generally be subject to New Zealand income tax only in respect of income that has a New Zealand source.

Conclusion

The New Zealand Look-Through Company is a tax transparent and straightforward vehicle for eligible shareholders looking for the advantages of corporate identity, limited liability and look-through treatment for income tax purposes, while operating from a stable and well-respected jurisdiction.

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