



Everything You Should Know About Establish trust New Zealand

What is a foreign trust?

A foreign trust or setting up an offshore trust is a trust set up in New Zealand with New Zealand occupant trustees, however, the recipients and settlers of the trust live overseas (i.e. outside New Zealand's tax authority). Foreign trusts are also known as an offshore trust or else New Zealand exempt trusts.

Usually, New Zealand foreign trusts derive all of their income plus hold all their assets offshore.



New Zealand foreign trusts have become very admired by overseas investors along with business people. At the present time there is alleged to be circa ten thousand registered [Establish trust New Zealand](#), as well as the number, seems likely to persist to increase. This is for a number of reasons, as outlined below.

Why are NZ foreign trusts so popular?

New Zealand trusts are helpful structures, helping both asset protection as well as estate planning advantages. These perks for New Zealand resident persons are canvassed elsewhere in blogs as well as articles on this site, so we will not replicate the advantages of trusts for Kiwis in this conversation.

For overseas residents (non-New Zealanders), however, having trust in New Zealand provides supplementary benefits as well as particularly good tax advantages.

Tax advantages of foreign trusts

With the method New Zealand tax law functions at the time of writing, it is probable to set up a trust in New Zealand as well as have no tax obligations here.

Our tax laws are such that no tax is billed in New Zealand on trust income or else recipient distributions as long as:

- None of the trust's income is imitative in NZ
- Beneficiaries are not NZ residents; and
- No settlor (with a settlor being anyone who has gifted or offered value to the trust) has been tax resident of NZ from the time the trust was established

It is the final point that is the most. Most other countries focus on the residency of the trustee. New Zealand is strange in that its focus is on the nationality of the settlers.

Additionally, because New Zealand doesn't have assets gains tax, any increase in the value of trust assets is usually not taxed here either.

Note, this does not mean that the faith never has to pay tax at all. Usually, trust income, as well as distributions made to recipients, will be taxed in the country of income origin or source. It does, however, avert the trust or beneficiaries from being taxed twice, which can happen if you have the wrong tax structures set up.

New registration & annual filing rules for offshore trusts

In early 2017 new rules were commenced with regard to registration as well as annual filing obligations for overseas trusts. Particularly, all foreign trusts now need to go through a registration procedure with the New Zealand IRD which sees details such as a copy of the trust deed, contact as well as identification details of settlors, trustees along with holders of the power to appoint and eliminate trustees provided to the IRD. Further, details of beneficiaries plus settlements on the trust are also to be offered. All this needs to be offered to the IRD within thirty days of the establishment of the trust.

On an ongoing base, a return needs to be filed once a year with a replica of financial statements for the trust offered, along with details of every settlement on the trust as well as any distributions made from it. It is expected that the information the IRD obtains through this registration, as well as annual compliance program, will be offered to jurisdictions where the settlors, trustees along with appointors reside.