



June 2010

## NZ LAW UPDATE

### FREE TRADE AGREEMENT – NEW ZEALAND AND RUSSIA

New Zealand and Russia have started scoping negotiations to look at the ambit of a potential free trade agreement with Russia. New Zealand is also interested in having a free trade agreement with Kazakhstan and Belarus as these two countries, along with Russia, are in the process of forming a Customs Union with a unified tariff and customs territory.

Russia is looking to New Zealand for a Free Trade Agreement as it views the Asia-Pacific region as a driver for future economic growth.

Russia offers a wealth of opportunities for New Zealand exporters, as it is the fifth largest food importer in the world.

### DOUBLE TAX AGREEMENTS – TURKEY – HONGKONG –INTERNATIONAL TAX INFORMATION AGREEMENTS COME INTO FORCE SOON

On 22 April 2010, a new double tax agreement was signed between New Zealand and Turkey. It will come into effect when both countries give assent to the agreement.

New Zealand and Hong Kong are to begin negotiations for a double tax agreement with negotiations expected to commence in October.

On 8 July 2010 the following Double Tax Agreement Orders for international tax information exchange agreements (TIEAs) will come into force between New Zealand and Anguilla, The Bahamas, British Virgin Islands, Cayman Islands, Cook Islands, Dominica, Gibraltar, Guernsey, Isle of Man, Jersey, St Christopher and Nevis, St Vincent and the Grenadines and Turks and Caicos Islands.

TIEAs are bilateral treaties that enable full exchange of information on civil and criminal matters between the parties to the agreements. They are an important step for offshore financial centres to meet the OECD standards for transparency and the exchange of information.

### SINGLE ECONOMIC MARKET – AUSTRALIA

An inter-governmental group that had been formed to advance the outcomes identified by both Prime Ministers of Australia and New Zealand in their Joint Statement of Intent announced last August, is due shortly to release a report on its progress.

Key areas that will be reported on include:

- single cross-border insolvency proceedings;

- alignment of accounting standards for profit entities;
- accounting and auditing standards setting infrastructure that mirrors that of Australia;
- developing intellectual property processes such as single application process for patents and trademarks and a single regulatory framework for patent attorneys.
- Consumer law – equivalent protocols and procedures in relation to weighing and measuring equipment.

#### AUSTRALIA AND NEW ZEALAND

In the same vein as above, Australia amended its laws late last year so that New Zealand company directors banned from running businesses in New Zealand will be automatically disqualified in Australia. There has been concern about people avoiding disqualification from acting as directors by switching between the two countries.

The New Zealand national enforcement unit has commenced an investigation into a corrupt former assistant commissioner of taxes, Nikytas Petroulias, recently becoming a director of two New Zealand companies while in jail in Australia.

Under New Zealand laws a person is disqualified from being a director if convicted of a crime of dishonesty in the last five years.

#### INCREASE IN RESEARCH AND DEVELOPMENT FUNDING

Over the next 4 years an extra \$321 million dollars is being targeted to fund research, science and technology activities. The most significant funding is \$189 million for grants to medium to large research intensive businesses that can show wider benefits for New Zealand. The Government contribution is 20% of the projected R & D expenditure up to a set maximum. Other initiatives include:

- \$20 million for technology transfer vouchers to encourage businesses that do not have much in-house R & D capability for work with publicly funded research organizations;
- \$24.7 million to support the transfer of technology from research organisations to businesses;
- \$25 million to support early to mid-career researchers;
- \$9 million to attract top entrepreneurial scientists to New Zealand; and
- \$44 million to expand research infrastructure.

#### WHOLESALE FUNDING GUARANTEE ENDED ON 30 APRIL

The wholesale funding guarantee ended on 30 April as it is perceived it is no longer necessary as the international market conditions have improved and New Zealand banks can raise funds without using the guarantee. The guarantee helped New Zealand banks access funding during the liquidity crisis that hit global markets in 2008. Such measures



were only envisaged as temporary measures for extraordinary times and it is part of a worldwide trend now for countries to end their own guarantee schemes.

No changes are planned for the retail deposit scheme.

## NEW RETIREMENT VISAS FOR HIGH INCOME MIGRANTS

There are two new categories that took effect from 29 March to allow high-income people of retirement age to migrate to New Zealand, they are:

- Temporary Retirement – provides a two year permit for people who want to spend some of their retirement in New Zealand, provided they invest in New Zealand indemnify the Government against possible health and welfare costs. Temporary retirees need to invest \$750,000 over the two-year term of their permit.
- Parent Retirement- targets high net worth individuals who are already seeking to migrate to New Zealand under the Family Category. A minimum of NZD \$1 million needs to be invested in New Zealand over four years.

## DISCLAIMER

This publication is necessarily brief and general in nature. You should seek further information before taking any action in relation to the matters dealt with in this publication. If you have any questions on the matters discussed in this update please contact the New Zealand Mackrell partner, Brian Joyce at Clendons North Shore by email to [brian.joyce@clendons-ns.co.nz](mailto:brian.joyce@clendons-ns.co.nz) or phone 64 9 377 8419

