

How do we know New Zealand is a tax haven? The answer is...

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New Zealand's Finance Minister is telling the world his country is not a tax haven right now. The reason he says, [in his own words](#), is that:

*"The key identifying characteristics of tax havens are secrecy and lack of transparency. Those are simply not factors here in New Zealand. Our legislation for taxing trusts is fully transparent."*

What a load of nonsense. It took me seconds to find a web site selling such trusts, [here](#). Now let me be clear: I'm not for a minute saying the firm I'm quoting are doing anything illegal. But note what they say about why NZ [is not a tax haven](#):

*While New Zealand is NOT an offshore haven, it is nonetheless recognized among informed practitioners as a first rate jurisdiction for certain financial structures. It provides all the advantages of traditional "offshore" financial centres, but is regarded as a true "onshore" financial centre which is NOT blacklisted by any jurisdiction or authority in the world. It is not perceived by OECD as a harmful tax jurisdiction, and has no connotations as a tax haven.*

The nub is simple: it is a tax haven but the semantics have so far not got round to recognising it as such. And how do we know that this firm thinks that its clients are tax motivated?:

*It is not a member of the EU, and is not influenced by the EU Savings Tax Directive and any future developments (should they be extended to apply to companies or trusts).*

Remember, the sole purpose of the European Union Savings Tax Directive is to prevent tax evasion. It has no other purpose at all, and yet the fact that the NZ trust is not covered is obviously a key selling feature. I think that's odd. I wouldn't advertise the fact that a law aimed at tax evaders can't apply to such a trust.

The law is, however, important to such trusts. It's stated that:

*New Zealand is considered a safe location and offers long term security. It has a well developed infrastructure, including a progressive and robust economy, efficient telephone and internet services and experienced reliable professionals serving global clients with trust and company requirements, who can offer confident legal opinions on tax, trust and company matters.*

The typical attitude of the law having a duty to protect private interests which however have no obligation to the law maker that so identifies tax haven abuse is inherent in this claim.

Then note what they say about forming a trust:

*Trust formation of a New Zealand Foreign Trust is modeled on the English form of trust. All income sourced offshore is totally tax free, and there are no capital gains, inheritance taxes or forced heirship. Any income earned within New Zealand is subject to domestic tax. The income can either be retained in the trust, or alternatively distributed to named beneficiaries.*

The claim is typical offshore recklessness: the offshore (note the use of that word) income need not be tax free. It may well be wholly taxable where the settlor or beneficiaries of this trust are. It's just not taxable in New Zealand. This is the typical tax haven attitude of ignoring what happens "[elsewhere](#)". **This claim is not justified and could lead to a false impression on the user's part. What it definitely looks like is a tax haven pitch. As is this:**

*In order to benefit from the aforementioned tax exemptions, the Foreign Trust requires:*

- \* *A non-resident settler (not disclosed to authorities)*
- \* *A non-resident beneficiary (not disclosed to authorities)*
- \* *An NZ resident trustee or trustee company (disclosed to authorities)*

So, secrecy is a selling point. Who creates and benefits from this trust is not disclosed. And as they also note if you:

*select "a qualifying N.Z. resident trustee" as manager or director who is a professional (chartered accountant or lawyer) [as a trustee this] will result in the trust NOT being at risk of taxation on its worldwide income in the event of any omissions or non compliance. Instead the matter would be dealt with by the disciplinary committee of the professional's Accountants or Law Society, and punishment for this "qualifying" person would be a fine and or imprisonment.*

So we have the active participation of the regulated profession in selling this activity that is based on secret tax avoidance. That's another secrecy jurisdiction trait.

Now admittedly it is noted that it is necessary to advise the NZ government of:

- \* The existence of a trust
- \* The trust's date of settlement
- \* The trust's name or another identifying particular (e.g. a code)
- \* The name and contact details of the New Zealand resident trustee company

And it's noted that records must be kept of the trust's transactions and distributions to beneficiaries. But it's then noted:

*This information is not provided to NZ Revenue, but would have to be disclosed **only following a specific request from an offshore Government with whom New Zealand has a double tax treaty**, under the sharing of information agreements by these Treaty countries.*

Their emphasis. And there's good reason for that emphasis: we all know such requests rarely happen and even more rarely work. I [explain why in some detail here](#). **The emphasis in the original draws attention to a toothless tiger the reader need not be worried about, I think.**

**So, there we have it: an admission that New Zealand is a tax haven in all but name; that it can be used to get round law aimed at tax evasion; that it sells 'tax free' products; that it does so with added secrecy which can rarely be permeated; and that behind all those are New Zealand's tax profession. If that's not a tax haven then that creature swimming on a pond is not a duck.**

**And as a final note:**

*New Zealand non-resident trusts start at US\$7500.00. The total cost depends upon the services required and the complexity of the trust.*

Now, if you aren't going to make a saving from your \$7,500 why are you going to part with it? Perhaps Mr Dunne would like to explain. I stress, this arrangement may only be avoidance. I'm saying no more. But in that case, why the emphasis on secrecy in this sales pitch - because it's clearly vital? That's the question he has to answer as he said it's key, and he's right.