

Co-operative organisations

A co-operative is a form of business organisation that is owned and democratically controlled by its shareholders/members.

A co-operative is also known as a 'mutual organisation' or a 'co-op'. The organisation is run for the mutual benefit of its shareholders/members. The organisation is established so its shareholders/members may purchase goods or use services of the organisation, rather than being established for the purpose of earning profits for investors.

There are a number of forms of co-operative or mutual organisations but the key feature of all these organisations is that their main purpose is mutual support for members or the promotion of a specific purpose or social benefit.

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Examples of co-operative organisations

There are a number of forms of co-operative or mutual organisations, including:

- friendly societies
- credit unions
- building societies
- co-operative companies
- industrial and provident societies.

Examples of co-operative organisations in New Zealand are:

- co-operative taxi businesses
- industrial and provident societies
- dairy farming
- development for particular breeds of farm animals
- staff welfare associations
- collective marketing arrangements
- Maori community services and developments
- promoting irrigation for farmers within a district.

The Co-operative Bank, which offers a range of financial services to its members, is a well known example of a co-operative organisation.

What is a co-operative company?

A co-operative company is one established for the purpose of allowing its owners to carry on business on a mutual basis. It is a company incorporated under the Companies Act 1993 that applies for registration under the Co-operative Companies Act 1996 in order to operate as a

co-operative.

Only a co-operative company may have the word 'co-operative' in its name.

A co-operative company must principally carry out a co-operative activity as defined in its constitution. Such activity may include providing shareholders of the co-operative company with goods or services, including processing and marketing services and those things ancillary to the activity.

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Note | Not less than 60% of the voting rights in a co-operative company must be held by transacting shareholders - the shareholders who supply the company, buy its goods or use its services. For example, a dairy farmer supplying milk to a co-operative dairy company would be a transacting shareholder as would a plumber buying equipment from a plumbers supply cooperative.

What are the features of a co-operative company?

The key difference between a standard company and a co-operative company is the features of its ownership that ensure continuous active membership. These include the ability of a shareholder to surrender shares if, for example, a dairy farmer who is a transacting shareholder changes to another type of farming.

The profits of a co-operative company are returned to the shareholders as rebates referable to transactions during the particular accounting period or as shares in lieu of rebates. Shares can be issued with a nominal value to assist in such accounting.

The key features of a co-operative company are set out in the Schedule of the Co-operative Companies Act 1996.

Why might a company register as a co-operative company?

The advantages of a co-operative company are the mutual bond between transacting shareholders and the special features relating to shareholdings that depart from the normal arrangements under the Companies Act 1993. These include power to:

- issue shares with a nominal value
- redeem shares to ensure continuous active membership of the company
- accept surrenders of shares
- hold surrendered shares for later allocation
- forfeit shares of untraceable shareholders
- give rebates to shareholders, unless the constitution prohibits this.

Otherwise, the advantages of a co-operative company are the same as those enjoyed by shareholders incorporating under the Companies Act 1993.

How to register a co-operative company

Companies can register as a co-operative company under the Co-operative Companies Act 1996 either at the time of their incorporation as a new company or after incorporation on an application from an existing company.

How do you register a new company as a co-operative company?

Follow the same steps outlined in our **Starting a company** section for a limited company.

Begin by reserving a company name then submit an application to incorporate. The key differences are:

- **Reserving a company name** - Select the entity type 'NZ Co-operative Company'. The name may, or may not, include the word 'co-operative' or the abbreviation 'co-op'.
- **Constitution** - Co-operative companies must provide a constitution that states, in particular, the nature of the co-operative activity.
- **Statutory declaration** - Each director must make a statutory declaration that in his or her opinion the company will be a co-operative company within the meaning of the Co-operative Companies Act 1996 and the grounds for that opinion. You will be asked to upload a

copy of each director's statutory declaration.

Related information

- [Starting a company](#)