Starting a company

Whether you’re a small business or a contractor, deciding to start a company is a big step. In a legal sense, you’re choosing to separate your business from yourself, which comes with new responsibilities, eg how tax is paid and your relationship with government agencies.

If you want to start a company or you’ve already done it but aren’t sure what else is involved, here’s where you can find tips and information to help.

Getting started

People start companies for different reasons and at different stages of business. Some people thrive on launching businesses and will do so several times over their careers. For others, it may be the next step in a journey that started as a one-person, sole trader business, or you may be a contractor who sees the benefits of operating as a registered company.

Before you start, make sure you have a clear idea of why you’re starting a company, and whether it’s the best structure for your business. Use our tips and tools to test your business idea and see if it’s the right decision for you.

Choose your business structure

Is a company the best structure for your business? Use our Choose Business Structure tool to check that it’s right for your business’s needs. Just three quick questions and you’re on your way.

Registering your company

Starting a company is a simple process in New Zealand compared to many other countries, but there are legal obligations you must meet and processes to go through.

You must register your company with the Companies Office. This is known as incorporating a company.

You can do this online. First, you’ll need to get a login for the Companies Office website — use your RealMe® login to access the site. If you don’t have a login, you’ll need to create one.

Once online you can complete your registration by:

- checking the company name you want is available
- reserving the name you want
- registering your company.

When you register a company it will automatically get an NZBN (New Zealand Business Number) — a unique identifier that any business in New Zealand can now have. Using it will speed up your interactions with government, suppliers and customers and other businesses, eg sharing invoicing details.
Applying to incorporate your company ([external link](https://companies-register.companiesoffice.govt.nz/help-centre/starting-a-company/incorporating-a-company/)) — Companies Office


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Registering with government agencies ([external link](https://companies-register.companiesoffice.govt.nz/help-centre/registering-with-government-agencies/))

Choosing a business name ([external link](https://companies-register.companiesoffice.govt.nz/help-centre/starting-a-company/choosing-a-business-name/))

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**Keeping your information up to date on the Companies Register**

Your company must file an annual return with the Companies Office each year to confirm it’s still operating as a company.

If you don’t file your annual return each year, your company risks being removed from the Companies Register.

An annual return is **not** a tax return or a financial statement. It includes the:

- company’s address(es)
- names and addresses of its directors and shareholders
- details of its ultimate holding company, if applicable
- general filing information, eg month the company files its annual return each year.

There’s a small fee to file an annual return. You can file online on the Companies Office website. If you haven’t done this before, you’ll need a RealMe® login to register for a Companies Office account.


[Get a RealMe login ([external link](https://www.realme.govt.nz/))](https://www.realme.govt.nz/) — RealMe

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**Intellectual property**

It’s never too early to think about intellectual property (IP), which includes your company name, logos and trade marks. When you protect IP, eg by creating a trade mark for your company name or brand, you’re safeguarding the time, money and effort you put into a business.

If you’re going to advertise your business name, you need to know before registering the name that someone else doesn’t already own the trade mark. Use our ONECheck tool to look up business names, web domains, trade marks and social media usernames.

IP will be important throughout your business’ lifespan. So make sure you understand what it is and why it’s important.

[ONECheck //onecheck/](/onecheck/)


**Directors**

Every company must have directors, even if there is only one. You must tell the Companies Office who your company’s directors are and provide details about them.


**Shareholders**

You may own the whole company or share ownership with other people who’ve invested in it, ie shareholders.
Every company must have at least one share and one shareholder, with a record of this on the company’s own share register.

In some companies, one person or a group, eg members of a family, may own all the shares. Other companies list their shares on the stock exchange where the public and other companies can buy them.

If you take on investors or decide to sell the company, you can do this by selling some or all of the shares.

No matter how many shareholders your company has, you must decide how many shares the company will have.

You must give this information to the Companies Office when you register your company.

It’s a good idea to set out these things in a shareholder agreement. An advisor, eg specialist lawyer, can help you do this.

**Constitution**

A company constitution sets out the rights, powers and duties of the company, its board, each director and shareholders. You don’t have to have a constitution — most don’t — but it may prove useful in the future as your company changes, eg looking for investment by issuing more shares. You can always adopt a constitution later.

**Staff**

Many companies start out with only the owners working in the business. But you may need to hire people to help you grow. You can hire staff, but you must be registered as an employer with Inland Revenue.

A company with staff has obligations to government, eg handling ACC and tax, and to its employees, eg health and safety and legal employment agreements. This website has tips, tools and information to help you with every step of being an employer.

[Registering with government agencies](/getting-started/taking-the-first-steps/registering-with-government-agencies/)

[Get advice](/getting-started/advice-and-governance/how-business-advisors-can-help/)

**Don’t be surprised if your accountant or lawyer asks to check your ID.**

It’s to comply with new anti-money laundering rules.

**Understanding your finances**

There’s a lot to get your head around and keep track of with your company’s finances. If you’re not confident about looking after your books, think about getting online accounting software and/or a bookkeeper or accountant to help, ideally before you start.

A company’s legal status means the amount of company debt that shareholders are responsible for is limited to the value of their shares. This is known as a limited company — you’ll see the shortened form “Ltd” at the end of company names, eg Sweet As Candy Ltd.

**Tax**

Your company’s profits — what’s left of your income after expenses — are taxed at the company tax rate of 28%. Profits can also be distributed to shareholders as dividends, who are taxed individually on their personal income. Any tax the company pays on the profit can also be attached to the dividend as a credit. Shareholders in small companies may also be able to take drawings — loans — from the company. If they do work for the company they can also take a shareholder-employee salary, on which they’ll need to pay their own tax.

A company doesn’t pay tax on income if it makes a loss, ie if its expenses are more than its income.

Your company can offset its business expenses against income to help reduce its tax bill.

[Introduction to business finance](/tax-and-accounting/business-finance-basics/introduction-to-business-finance/)
Introduction to taxes and levies (tax-and-accounting/basic-tax-types/introduction-to-taxes-and-levies/)

Expenses

Your company can claim back many of the costs of doing day-to-day business to help reduce its company tax bill. The more expenses you claim, the lower the tax will be, so it pays to understand what you can and can't claim for. Test your knowledge of expenses and allowances by taking our quiz.

Quiz: Claiming expenses (tax-and-accounting/reducing-your-tax/claiming-expenses/#e7720)

Claiming expenses (/getting-started/taking-the-first-steps/choosing-the-right-business-structure/)

Keeping records

You must keep accurate and complete work records for at least seven years. Include banking information, proof of your income — including cash income — expenses and cashbooks.

ACC

When you start a company, you're automatically covered by ACC from day one. You don't need to pay for this until after you submit your first tax return. What you pay will be based on your company’s business activity.

For business (external link) (https://www.acc.co.nz/for-business/) — ACC

If you provide certain financial services, you might need to meet new record-keeping and ID requirements.

New rules to detect and prevent money laundering and the financing of terrorism apply to real estate agents, conveyancers, many lawyers and accountants, and others.

Look-through companies

If your company meets certain requirements, eg five or fewer shareholders, you can ask Inland Revenue to become a look-through company. This means your company will be taxed like sole traders or partnerships. Shareholders pay tax on the company profits at shareholders’ tax rates.

Losses can be assigned to shareholders to reduce how much tax they must pay, or the look-through company can carry the losses forward into the next financial year.

Look-through companies must file a tax return (IR7) every year.

Look-through companies (external link) (http://www.ird.govt.nz/yoursituation-bus/running/accounting-income/ltc-qc/) — Inland Revenue

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