

**Examining the Long Term Business Visa: Comments
on the recent changes**

***Marcus Beveridge, Principal, Queen
City Law***

Bradley So, Lawyer, Queen City Law



Topics

- What's Changed?
 - Background
 - Why change?
- Trend
 - Approvals
 - Decline
- Changes
- Specific Business Plan
- Capital
- Benefit to NZ



Background

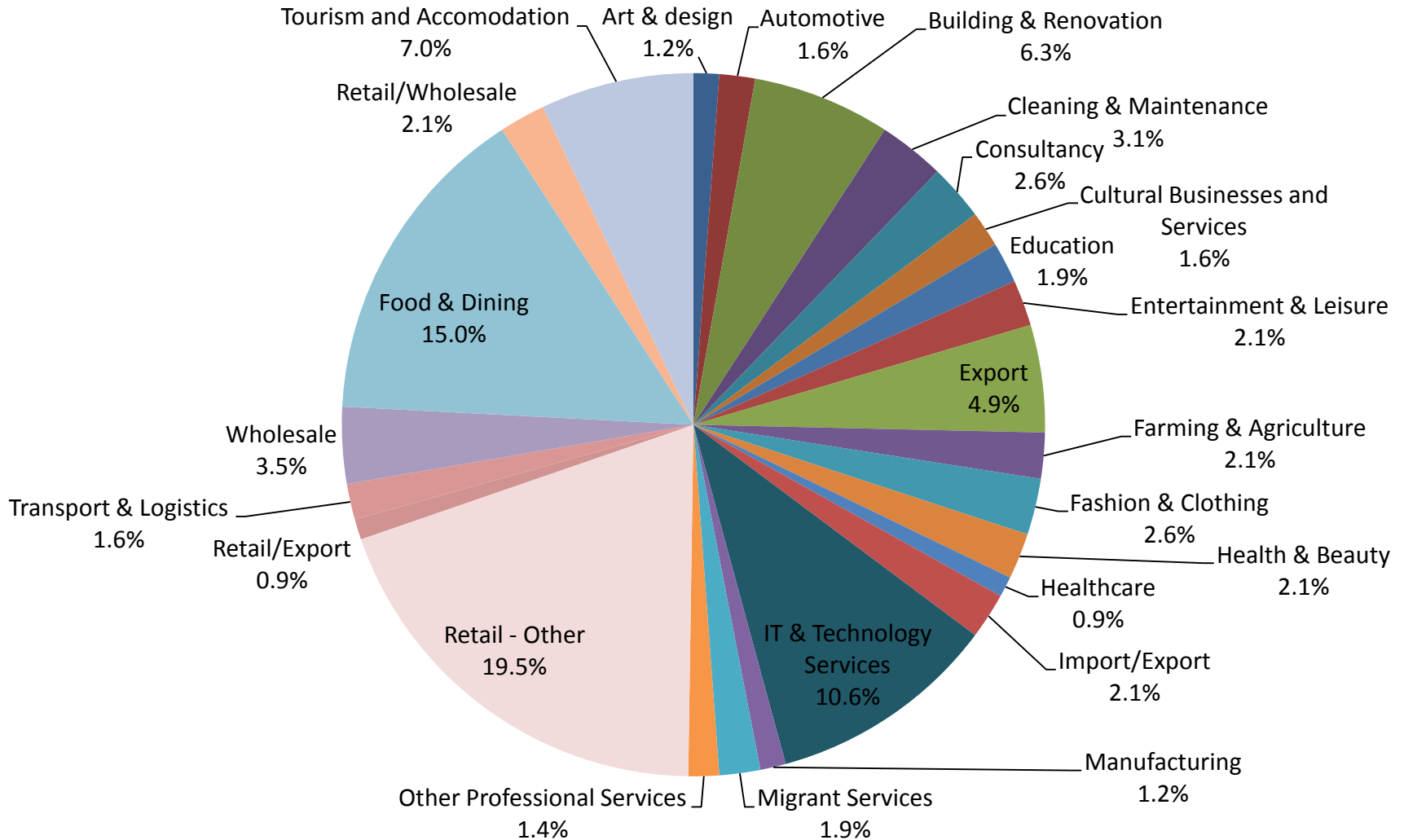
- LTBV introduced in 1999
- Objective – cater for business people

Why change?

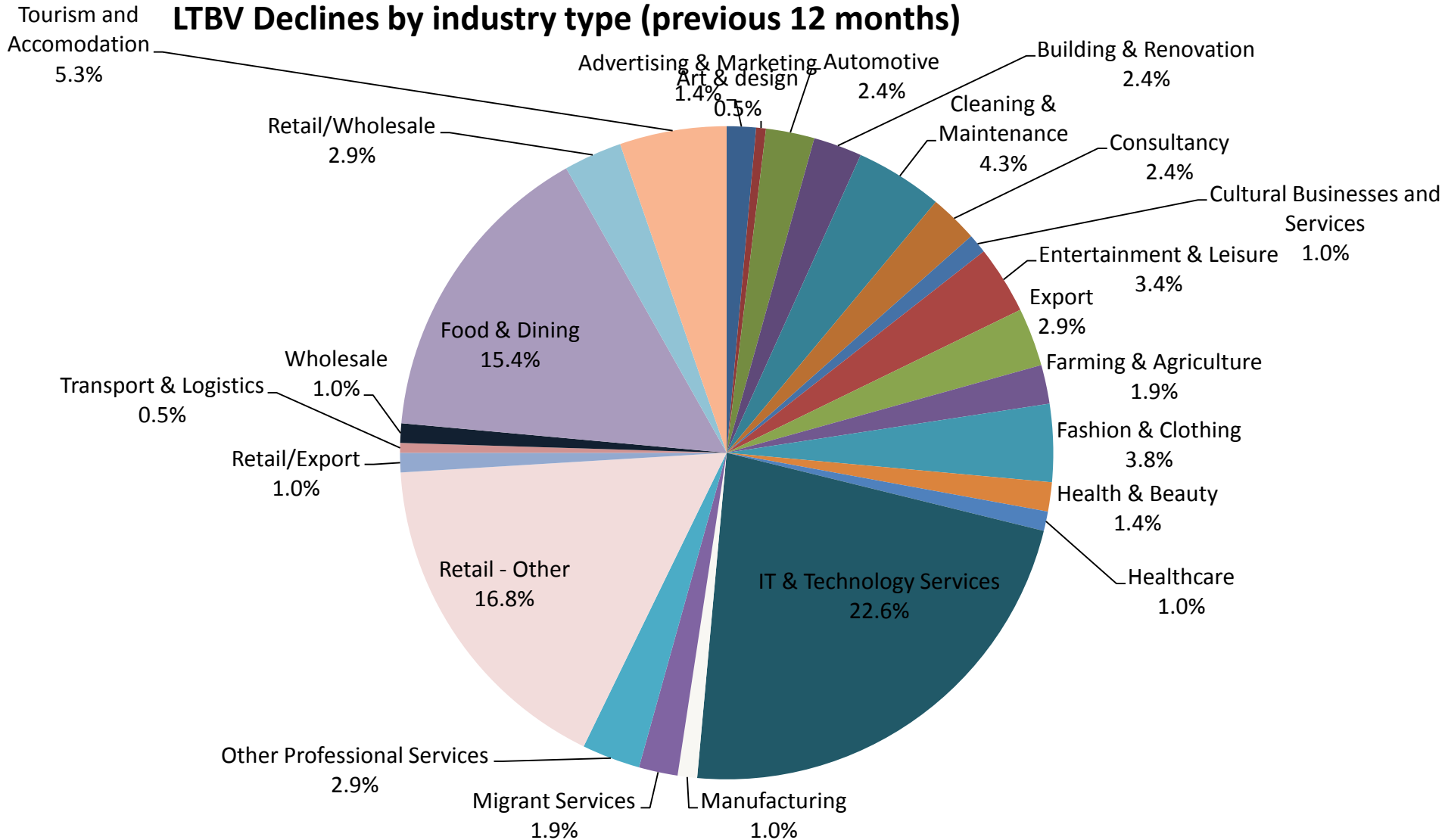
- Raise the quality of applications
- Ensure the benefit to NZ



LTBV Approvals by industry type (previous 12 months)



LTBV Declines by industry type (previous 12 months)



Commenced on 8 April 2013

- Specific Business Plan
- Capital
- Benefit to NZ



BEFORE**“BC4.1 Definition of a business plan (29/11/2010)**

A business plan is a plan to establish a specific business in New Zealand, which contains information as set out in the business plan form, and is supported by appropriate documentation.”

AFTER**“BC4.1 Definition of a business plan (8/04/13)**

A business plan is a plan to establish **or purchase** a specific business in New Zealand, which contains information as set out in the business plan form, and is supported by appropriate documentation.”

CASE STUDY - PIZZA

Type of Business	Buy or set up a new Pizza business.
Location	Auckland
Investment Fund	NZD \$100,000.00 – NZD \$150,000.00
Settlement Fund	NZD \$100,000.00 (family of four)
Benefit to NZ	Creation of Employment

FACTORS TO CONSIDER

- **TYPE OF BUSINESS**
 - Existing Business
 - Documentation – BC4.5.1
 - Benefit to NZ - Employment
 - Creating a New Business
- **CAPITAL REQUIREMENT**
 - Existing Business
 - Share Acquisition
 - Asset Acquisition
- **LOCATION**
 - Forecast
 - Market Research



Practical Implications

- Offshore applicants will need to come to NZ before a visa is granted
- Interim visa of 9 months is purely to set up the business
- Minimal variation of business plan opportunities
- Decrease in buying existing businesses (time constraint)
- Pro forma business plans will no longer apply
- Applicants are better prepared for Residency



NEW DEFINITION

BH3.5 Consistency with business proposal under the Long Term Business Category

ii. the business that has been **established required the same** or **a greater level of capital investment** than a business proposal in respect of which the applicant was granted or issued a work visa under the Long Term Business Category;

...

c. For the purposes of BH3.5(b)(ii), account will only be taken of the amount of capital that has been actively invested in the business. **No account will be taken of:**

i. **working capital** (see BH4.5.15); or

ii. passive or speculative investments, such as reserve funds or **term bank deposits**; or

iii. expenditure on items for the **personal use** of the applicant(s), such as personal residence, cars or boats.

BH4.5.15 Working capital

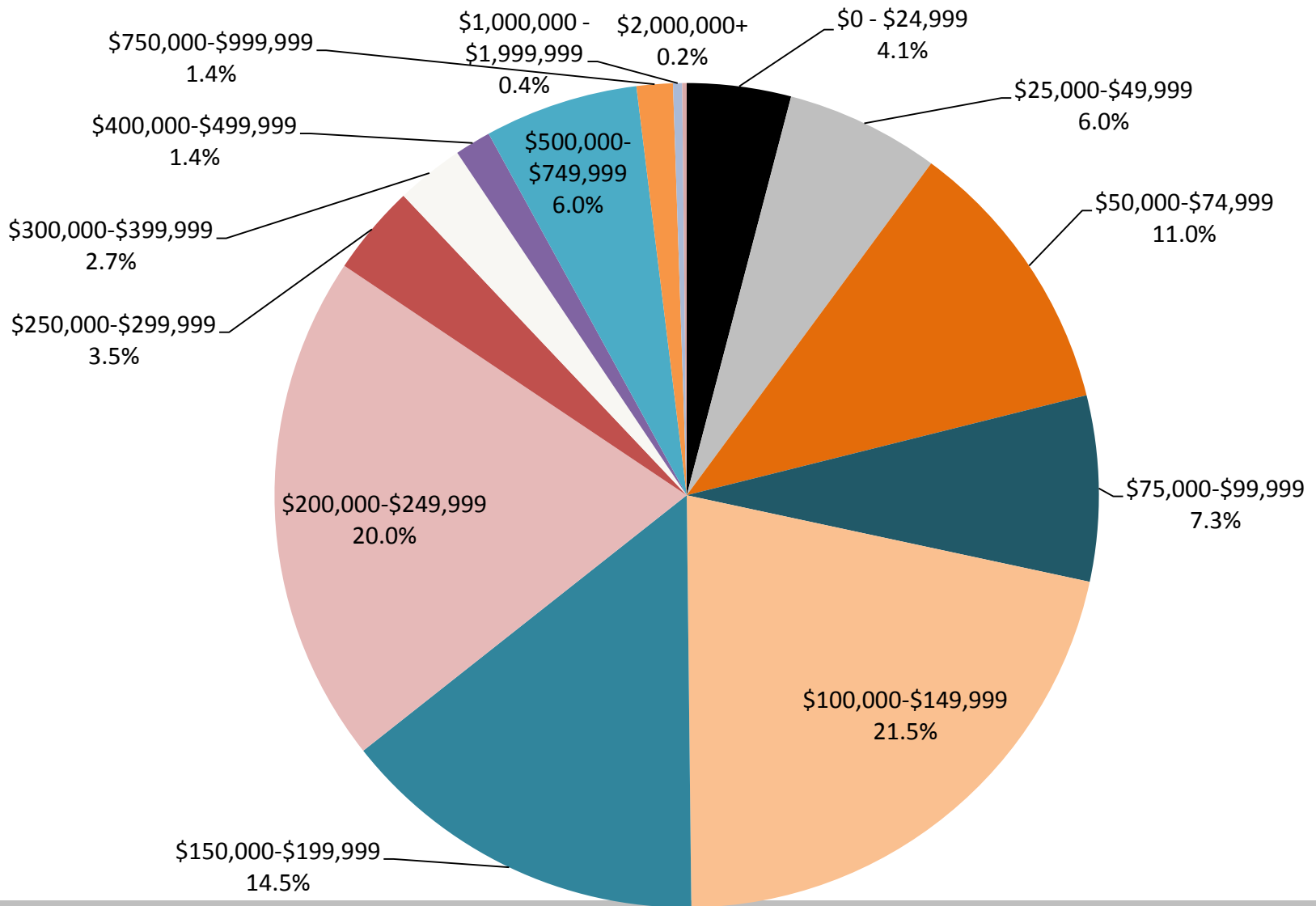
For the purposes of Entrepreneur Category instructions, **working capital is capital** that is tied to assets used in the on-going maintenance or day-to-day running of a business.

CASE STUDY

- Applicant's proposed business is to establish a Restaurant for \$500,000.00. \$50,000.00 will be used as working capital for stock.
- Does the applicant qualify under the Entrepreneur Plus category?
- Question; Can stock qualify as a capital investment as opposed to a working capital?
 - Long Term Fashion
 - Maintain a minimum stock
 - Re-purchase stock to maintain Lowest inventory level

Practical Implications

- Business Plan has to separate the capital that will be used as working capital and capital that will be used to purchase assets, equipment, fit out and shares.
- Definition of working capital does not take into account the different type of businesses that required substantial amount of working capital e.g exporting businesses.
- Requires more capital refer to the graph below.



CHANGES

BH4.10 Criteria for a business benefiting New Zealand

- a. A business is considered to **add significant benefit** to New Zealand if it **can demonstrate that it has promoted** New Zealand's economic growth by for example:
- i. introducing new, or enhancing existing, technology, management or technical skills; or
 - ii. introducing new, or enhancing existing, products or services; or
 - iii. creating new, or **significantly** expanding existing, export markets; or
 - iv. creating **sustained and on-going full time** employment for New Zealand citizens or residents; or
 - v. **the revitalisation of** an existing New Zealand **business that has led to significantly increased financial performance**; and
- b. The business is trading profitably on the date the application is lodged or a business immigration specialist is satisfied that it clearly has the potential to become profitable within the following 12 months.
- c. If the associated Long Term Business visa application was made before 30 November 2009 the 'creating employment' benefit can also include non-New Zealand citizens or residence class visa holders, with the exception of the principal applicant.

Note: For the purposes of BH4.10(a)(i) and (ii):

- **“new” means new to New Zealand or the region of New Zealand in which the business would be located; and**
 - **“existing” means existing within New Zealand or the region of New Zealand in which the business is located.**
- For the purposes of these instructions, the employment of non-New Zealand citizens or residents is not considered an acceptable example of a business benefiting New Zealand.**

Practical Implications

- Significant is intended to ensure that the proposed business maximizes the benefit to NZ
- Holistic approach
- Creation of employment has a higher threshold
- Revitalization of business requires significant increase in financial performance



REMEMBER – BEFORE SUBMITTING AN APPLICATION

- **“SPECIFICITY” - IS IT SPECIFIC ENOUGH?**
 - Existing or New
 - Benefit to NZ
 - Supporting Documents
- **“ADDITIONALITY” – SIGNIFICANT BENEFIT?**
 - Primary
 - Ancillary
- **ENOUGH CAPITAL?**
 - Working Capital?
 - “Stock Test”

