

It's easy to do business in New Zealand but it needs to be easier

Written by The Conversation



New Zealand is one of the easiest places to do business. Shutterstock

New Zealand is still topping the World Bank's [Ease of Doing Business Index](#) , a ranking of how easy it is to do business in 190 economies and cities. But even though New Zealand is ranked first in half of the criteria, the index also shows the country urgently needs to address the cost of foreign trade.

New Zealand has performed so well because it has reformed various aspects of its economy related to the index, including dropping personal and corporate tax rates. New Zealand has also done consistently well in a few areas without much reform, such as corporate governance. But if the government does not address the time and cost required to import and export, as well as the rising cost of electricity, it will become harder to lure investment.

The index [rates countries using 10 indicators](#) , ranging from how hard it is to start a business, to paying taxes and getting credit. These indicators are then used to rank each country and city.

This provides a yardstick to compare regulations across countries. It can be used not only by businesses making investment decisions, but by governments who wish to attract more foreign businesses and encourage local investment.

Where New Zealand ranks

In the latest version of the index, in addition to ranking first overall, [New Zealand](#) is ranked first in a number of individual indicators. These include starting a business, getting credit, registering property, protecting minority investors, and dealing with construction permits.

This means New Zealand scored well on things like issuing licenses and permits for new businesses, the time it takes to approve and construct a warehouse, quality control on new construction, and protecting minority investors from conflicts of interest.

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In these indicators New Zealand ranked similarly to how it did in 2016. But the country has also improved in a number of other rankings, such as enforcing contracts - from 15th in 2016 to 13th in 2017, and paying taxes - from 22nd in 2016 to 11th in 2017.

As we look across the criteria, it is evident the major contribution to New Zealand's rise to the top is [through reform](#), especially around paying taxes. This is partially helped by the fact that this year the index includes new criteria around how long it takes to comply and to receive back some value added tax, the process and time it takes to complete a tax audit, and good practices in the tax appeals process. New Zealand's reform also resulted in fewer tax payments per year.

The government has also instituted other reforms, including "positive information" in credit checks - such as your full repayment history - to make it easier to get loans, and made it possible to start a business in less than a day by registering everything online.

Opening up trade

New Zealand should be proud of its high ranks, but we must delve into the underlying issues that cause the country to be ranked poorly elsewhere.

Minor reforms in the enforcement of contracts or paying taxes would likely allow New Zealand to maintain its number one ranking overall in the next year or two. Again, New Zealand does relatively well when it comes to lodging paperwork to enforce a contract, but [it takes too long](#) to go through trial and judgement. And while New Zealand has lower tax rates than the OECD average for high income countries, filing corporate taxes in New Zealand is [more time consuming than the average](#).

But more importantly, the government needs to assess why it is sliding down the index when it comes to trading across borders and getting electricity. While it is relatively simple and quick to get electricity in New Zealand, it [costs much more](#) than the average in OECD high income countries.

It also [costs New Zealanders](#) three times as much to import, and more than twice as much to export, as the average in OECD high income countries. And that does not factor in the time

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required to comply with customs and other red tape, which is [far, far higher](#) than the average in OECD high income countries.

This data is backed up by the recent [Global Competitiveness Index](#) from the World Economic Forum. Although New Zealand also ranked well in this index, at 13, it is clear that trade continues to be a challenge.

Reducing the cost, time and procedures required to import and export will open up more trade and investment opportunities for New Zealand. This is imperative for a country with both a small market and that is geographically distant from the rest of the world.

Siah Hwee Ang does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.

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