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## COMPANY SHARE FLATS - HOW DO THEY WORK?

A Company Share Flat purchase is very different to purchasing other real estate.

Unlike most other property purchases, the complex is owned by a Company which retains ownership of all units. The purchaser is purchasing shares in the Company and not the Unit itself. This means that the title to the property remains in the Company's name as owner.

The Company's shares are divided and a certain number of shares are allocated to each Unit. Each occupier is a Shareholder of the Company, each holding the amount of shares allocated to their Unit.

From a search of the Companies Office Register (website address: [www.business.govt.nz/companies](http://www.business.govt.nz/companies)) you can find out the Company details and the share ownership information including the number of shares held by each individual Shareholder.

Each occupier enters into a Licence to Occupy with the Company which grants them the exclusive right to occupy the Unit on the terms and conditions as set out in the Agreement.

Occupation Licences place certain obligations on occupiers which must be complied with. Examples of these obligations include:

- (a) To pay the levies;
- (b) Not to make any structural alterations to the Unit without

the Company's consent;

- (c) Not to cause a nuisance to any other occupiers in the complex;
- (d) To obtain the Company's consent before assigning or subletting an occupier's interest in the Unit.

Any Company Share purchase must first be approved by the Company before settlement can proceed.

The main difficulty with purchasing Company Flat shares is obtaining finance. If finance is required for a purchase, the Lender usually requires a mortgage to be registered over the title to the property as security for the lending. As only shares are being purchased (not the Unit itself), no mortgage can be registered. For this reason Lenders are reluctant to lend funds for a Company Share purchase.

If finance is approved, the Lender can register a Financing Statement in the Personal Property Securities Register which records their interest in all property owned by the Shareholder.

Should you have any further queries regarding Company Share purchases or Licences to Occupy, please do not hesitate to contact the Collins & May Law Team.

### 20 MINUTE FREE

**WANT to review your Family Trust structure?  
THEN call us and take advantage of our 20 Minute Free interview**