
International Assignment Services Taxation of International Assignees Country – New Zealand

*Human
Resources Services*

*International
Assignment
Taxation Folio*



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Introduction – International assignees working in New Zealand

Foreign nationals sent to work in New Zealand often find themselves confused by the unexpected complexity of the New Zealand tax system. Before they arrive, they may have been advised on an employment contract, on banking arrangements and on dealing with government authorities. Even so, often they fail to understand the precise reasons for the actions they have been advised to take.

This guide is intended to help foreign nationals in a planned effort to avoid any tax problems before they arrive in New Zealand, as well as afterwards.

The folio reflects tax law and practice in New Zealand as of March 2012. It concentrates on the income tax issues that typically confront foreign nationals working in New Zealand.

This folio is not intended to be a comprehensive handbook dealing with all the potential problems that an individual might face. It is a guide to the tax system designed to provide readers with an understanding of the basic system and areas where problems may arise. Accordingly, we must advise our readers, particularly those with unusual or complex situations, to seek professional advice before any definitive actions are taken.

As details of tax rates, exemptions and allowances may vary from year to year, we suggest that you refer to our publication "Tax Facts and Figures," which is revised annually.

For further information, please contact Steve Camage (Tel [64] 9 355 8116) or Suzie Chichester (Tel [64] 9 355 8386), both in our Auckland office, and Todd Stevens (Tel [64] 4 462 7331), from our Wellington office.

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Step 1 – Understanding basic principles

The scope of taxation in New Zealand

1. Government revenues are raised largely through income taxes, excise taxes and custom duties, and a value-added goods and services tax. No separate social security contributions are levied other than a small levy to fund personal accident insurance. There are no local taxes other than property taxes (rates) payable to local authorities as a result of the ownership of land.
2. Income tax is imposed on the worldwide income of individuals who are treated as resident in New Zealand for tax purposes unless relieved by the ability to access the transitional residence exemption (see paragraph 22). Income tax is also imposed on New Zealand-sourced income of non-residents, although the liability may be reduced by the provisions of a double-taxation agreement entered into between New Zealand and various other countries. As a result, your tax position depends on your status as a resident, a transitional resident or a non-resident of New Zealand for tax purposes.

Capital gains tax

3. There is no separate capital gains tax in New Zealand. Gains arising from certain transactions in personal property, real estate and financial arrangements and certain foreign investments may, however, be subject to income tax.

Tax year of individual

4. The tax year for an individual runs from 1 April to 31 March. The 2012 tax year, for example, ends on 31 March 2012.
5. Income tax return filing requirements have been eliminated for many resident individuals who receive only New Zealand-sourced income from employment subject to pay as you earn (PAYE) and/or interest and dividends subject to resident withholding tax (RWT).

Filing in lieu of a tax return:

6. Individuals who derive income only from the following sources are not required to file a tax return:
 - Employment income subject to the PAYE rules at the correct rates
 - Interest/dividends subject to the RWT rules at the correct rates
 - Certain income where the total amount derived is less than NZ\$200 that has not been correctly taxed at source.
7. At the end of the income year, the Inland Revenue (IR) may issue a personal tax summary based on information provided by employers. This summary will show if there is a refund due or tax to pay.
8. A personal tax summary will be sent automatically to individuals who qualify for a student loan interest write-off, family assistance, who have incorrect or special tax codes, or have secondary employment income.

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9. Other individuals may request a personal tax summary. You may wish to consider requesting a personal tax summary if you are entitled to a childcare rebate, worked part of a year, or want to claim expenses such as income protection insurance.
 10. If you request a personal tax summary, you need to check it and inform the IR if there are any corrections or additions. If you receive the summary and do not contact the IR you are deemed to have accepted the IR's view of your tax position.
 11. Individuals who wish to claim the child-care or housekeeper rebate or donations rebate must complete a separate rebate claim form (IR 526). The redundancy tax rebate has now been repealed.
 12. Individuals who are required to complete a tax return (this will be the case for most international assignees) will receive a summary of earnings from the IR that shows all the employment details supplied by employers. Individuals must file their tax returns by 7 July following year end, with any balance of tax due before the following 7 February, although filing dates and payment dates may be extended to the following 31 March and 7 April, respectively, if extension of time arrangements are available.
 13. Taxpayers who earn income other than salary or wage income may be liable to make provisional tax payments. Provisional tax is due in three equal instalments during the year in which the income is earned, unless the person is GST registered, in which case specific advice should be sought. Interest and penalties may apply to underpayment of a taxpayer's tax liability for the year.
 14. Failure to file a return or make payment by the due date may result in penalties and interest charges. Provisions exist for extensions of the filing and tax payment deadlines on request if the services of a recognized tax practitioner are used.

Tax residence status

15. A person is tax resident of New Zealand if he or she has a permanent place of abode in New Zealand (whether or not that person also has a permanent place of abode outside New Zealand) or has been personally present in New Zealand for more than 183 days in any 12-month period.
16. The term "permanent place of abode" is not defined in New Zealand tax statutes. Factual circumstances (e.g., duration of presence, accommodation pattern, employment history, financial and family ties, etc.) must be reviewed on a case-by-case basis. It is contemplated that a person can have more than one permanent place of abode. Often, it will not be critical to establish if a permanent place of abode exists because the 183-day test will be met. Note that residence under the 183-day test commences from the first day within the 12-month period in which the person is personally present in New Zealand.
17. A person will cease to be a tax resident in New Zealand if he or she ceases to have a permanent place of abode in New Zealand and is personally absent from New Zealand for more than 325 days in any 12-month period. Residence is deemed to cease from the first day within the period in which the person satisfies the above tests. The cessation of one's permanent place of abode is a critical issue for those New Zealand tax residents who undertake assignments in other host countries. Advice is critical as the concept of a permanent place of abode is often misunderstood by individuals and is a common reason for residence disputes raised by Inland Revenue. For the purposes of the 183-day and 325-day count tests, where a person who is present in New Zealand for part of a day, that person is deemed to be personally present in New Zealand for the whole of that day.

Part-year resident

18. Where an individual is tax resident in New Zealand for part of the tax year and was not resident for another part of the tax year, he/she will be taxed on his/her worldwide income, usually on a received basis, for that part of the year that he/she was resident. Income attributed to the period of non-residence will not normally be taxable in New Zealand unless it was derived from New Zealand sources.

The impact of tax treaties

19. New Zealand's double-taxation agreements (listed in Appendix C) contain special rules for determining the jurisdiction to tax specified types of income. Some treaties contain "tiebreaker" rules which attempt to overcome situations where an individual is treated as a resident of both New Zealand and the other tax treaty country. The determination of resident status under these tiebreaker rules does not override the operation of the general resident status tests referred to earlier, but may provide relief in dual-residence scenarios such that New Zealand's taxing rights on foreign-sourced income are removed or reduced if the tiebreaker rules determine an individual is solely tax resident in another state. Under most double-taxation agreements, an individual is considered to be tax resident in the country in which he or she has a permanent home available. Relevant for international assignees, the Inland Revenue generally holds the view that a permanent home available does not exist in the host country if the lease is held with, and costs borne by the employer. This view has been upheld in a recent court decision. Where the permanent home available tiebreaker does not resolve the issue of residence, other tiebreaker rules may be applied to reach a conclusion.

Spouses

20. Spouses are treated as separate taxpayers in New Zealand. However, for certain welfare purposes, the concept of family income is relevant.

Family assistance

21. Since April 2005, the government has been phasing in a "working for families" package to assist low- to middle-income families. It envisages an increase in family incomes and more affordable housing and childcare costs. Working for Families is not available to individuals who are within their 48-month transitional resident exemption period and should the individual claim Working for Families, they will be deemed to have elected out of the transitional resident exemption.

Tax exemptions

22. The government enacted a temporary exemption (the "transitional resident" exemption) on certain foreign-sourced income for new migrants or returning New Zealanders (who have been absent continuously for at least 10 years) effective 1 April 2006. If eligible, a new migrant will automatically receive this exemption for a minimum 48-month period. Specific advice on eligibility, the extent of the exemption and planning for the expiry of the exemption period should be sought.

KiwiSaver

23. From 1 July 2007, all full- and part-time employees ages 18 to 65 may voluntarily participate in the "KiwiSaver Scheme," a New Zealand superannuation scheme with certain tax benefits on employee contributions and compulsory employer contributions. ESCT (employer superannuation contribution tax) will apply to all employers' cash contributions to employees' superannuation funds including KiwiSaver accounts (and complying superannuation funds) from 1 April 2012. The compulsory contributions to be made by employers are capped at 2% although additional voluntary contributions may be made. From 1

April 2013 the minimum employer contribution will be 3% and the employee minimum contribution also increases to 3% from this date. Kiwisaver applies to employees who are New Zealand citizens or entitled to be in New Zealand indefinitely. International visitors and those on temporary work permits cannot become KiwiSaver members and, therefore, KiwiSaver may not impact most international assignees to New Zealand. New migrants to New Zealand from Australia will soon have the option of transferring any Australian Superannuation Funds to certain New Zealand Kiwisaver funds in the situation where they have permanently emigrated from Australia.

24. New eligible employees will automatically be enrolled and have a six-week period in which to opt out. Existing employees may opt in to the KiwiSaver scheme.

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Step 2 – Understanding the New Zealand tax system

Taxation of New Zealand tax residents

Worldwide income

25. A New Zealand tax resident individual's worldwide income is subject to New Zealand tax, whether or not the income is earned in or remitted to New Zealand.

Employment income

26. Amounts derived in connection with an individual's employment or services are taxable in the hands of the employee. This includes salaries, wages, bonuses, allowances; expenditure on account of an employee and, in some circumstances, the benefit of board an individual receives in connection with his/her employment or service.
27. Moving expenses paid by an employer may, in some cases, be non taxable to the employee. The government has legislated the scope of what specific relocation costs are non taxable.
28. Employers are required to withhold and remit income taxes (PAYE) to the IR when paying an individual's employment income.
29. Certain non-cash forms of remuneration received by employees are not subject to income tax in the employee's hands, but are subject to fringe benefit tax (FBT), which is payable by the employer. This tax applies primarily to:
 - Private use of employer provided cars;
 - Low-interest loans;
 - Subsidized transport;
 - Employer contributions to foreign employee superannuation schemes.

Employee share purchase schemes

30. A benefit received under a "share purchase agreement" in connection with an individual's employment or service is income of that individual. A share purchase agreement is defined as an agreement to sell or issue shares in a company to an employee that is entered into in connection with the employee's employment or service, whether or not an employment relationship exists when the employee receives a benefit under the agreement. A benefit includes free or discounted shares received through an employee share purchase or option scheme.
31. Individuals who have been awarded options to purchase or acquire shares at a discount in an employee share purchase scheme will be taxed on any gains on the date the taxpayer exercises the options or acquires the shares. No tax is required to be withheld by the employer on the gains. Therefore, individuals must account for any resulting tax liability via Provisional Tax payments or by the standard tax payment date if there are no Provisional Tax obligations. The Inland Revenue has increased their focus on non-complying employees who are not meeting their obligations on such income.

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32. In practice, individuals are taxed in New Zealand on gains from an employee share purchase scheme if they are either New Zealand tax resident at the time the options are exercised or, if non-resident, the benefit has a New Zealand source. Apportionment may be required, however, where the employee's tax residence status changes between the dates of grant and exercise.
 33. The transitional resident exemption, if applicable, will exempt the portion of foreign income if exercise of options or acquisition of shares occurs during the 48-month exemption period.

Interest

34. Interest income is included as ordinary income whether or not the interest is derived from a source in New Zealand. The gross amount of interest is taxable to the individual while credit is given for the tax withheld. Resident withholding tax (RWT) is automatically deducted from New Zealand-sourced interest payments at the rate of 33% if the person does not notify the interest payer of their correct tax rate.
35. Individuals can notify the interest payer of their correct tax rate.
36. A no declaration rate of 33% will apply where a taxpayer has not supplied their IR number to the interest payer.
37. The gross amount of foreign-source interest income is taxable in New Zealand. A tax credit is granted for foreign tax withheld at source. The credit for foreign tax cannot exceed New Zealand tax payable on the income.
38. The transitional resident exemption, if applicable, will exempt such foreign income during the 48-month exemption period.

Dividends

39. Dividends received by shareholders are treated differently depending on the source of the dividend. New Zealand-sourced dividend income may have imputation credits attached. The imputation credits represent company tax paid on the underlying profit. In addition, a withholding tax of 33% is required to be deducted from the gross amount of the dividend but is reduced to the extent that imputation credits are attached. Credit against income tax payable is given for the withholding tax and imputation credits.
40. Foreign dividend income is taxable in full. The gross amount of the dividend received must be converted into New Zealand currency before inclusion in income. No allowance is made for foreign corporate income taxes. However, a foreign tax credit is available for taxes withheld at source. The credit for foreign tax cannot exceed New Zealand tax payable on the income.
41. The transitional resident exemption, if applicable, will exempt such foreign income during the 48-month exemption period.

Rents

42. Rental income is treated as ordinary income. Certain expenses incurred are allowed as a deduction in determining the net income subject to tax. Deductions allowed from gross rental income include repairs and maintenance, agent's fees, insurance, mortgage interest and a depreciation allowance (now limited only to chattels). Foreign exchange gains or losses on mortgages denominated in foreign currency, whether realized or unrealized, may also be subject to tax. Total deductions are not restricted to the amount of rental income received. Rental losses may be offset against an individual's other income and carried forward if unused.

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43. The transitional resident exemption, if applicable, will exempt such foreign rental income during the 48-month exemption period.

Capital gains

44. Certain capital gains derived from real property transactions may be taxable to the individual. Liability is based on factors such as length of ownership, rezoning of property and the other business activities of the individual or persons associated with the individual.

Self-employment

45. Self-employed individuals may deduct expenditures incurred in deriving taxable income from their businesses. The individual also may be required to register for goods and services tax purposes and may have certain legal responsibilities as an employer. It is recommended that professional advice be sought before commencing any such undertaking.

Deductions from income

46. Income tax is assessed on virtually the whole of the gross income of employees. There are no allowable deductions against employment income except the amount paid in professional fees for preparing tax returns and certain premiums for loss of earnings insurance. However, there are a small number of exemptions and rebates that may be available to reduce the tax on gross income. As noted earlier, deductions can be made insofar as they relate to the earning of rental income and income from self-employment. Interest on money borrowed to acquire investments also is deductible provided the interest is incurred in deriving gross income for the individual.

Taxation of non-residents

New Zealand income

47. Non-residents of New Zealand will generally be taxed on employment income earned in New Zealand in the same manner as a resident of New Zealand. In addition, non-residents may be taxed on all income from the operation of a business carried out in New Zealand. If operations are not carried on exclusively in New Zealand, business income must be apportioned.

Withholding tax

48. Non-residents deriving interest, dividend or royalty income from New Zealand will be subject to a withholding tax. The rates of the withholding tax (0%-30%) will often be reduced under New Zealand's double-taxation agreements with other countries. Generally, the withholding tax deducted will be the final tax liability of the individual in respect of that income.

Computation of tax

Tax rates

49. Personal tax rates, at the date of this publication, are set out in Appendix A. Income tax rates are the same for residents and non-residents (except where non-residents suffer a final non-resident withholding tax, or interest, dividend or royalty amounts). A typical tax computation is set out in Appendix B.

Tax rebates

50. A series of tax rebates exist to give effect to social policy. Availability of rebates generally turns on an individual's status as a resident. The following tax rebates may be available to taxpayers:

- Child taxpayer rebate;
- Housekeeper or child-minder rebate.
- Making charitable or other public benefit gifts of more than NZ\$5; tax credits arising through gifts cannot exceed the income tax otherwise payable;
- Independent Earner Tax Credit (IETC)

Credits of tax

51. Once an individual's final tax liability is determined, the various tax credits and source deductions are applied in satisfaction of the amount due. These arise from:
- Employer deductions from wages and salaries;
 - Withholding tax deductions from receipts of interest and dividends;
 - Imputation tax credits attached to dividends received;
 - Foreign tax credits;

Provisional tax payments.

52. Where total tax credits and tax deductions exceed the individual's tax liability, the individual may be entitled to receive a tax refund. Excess imputation tax credits are carried forward to subsequent income years until they are used.
53. Where the tax credits and tax deductions are insufficient, a final payment of income tax is required. If this residual income tax liability is NZ\$2,500 or more the individual may be required to pay provisional tax in installments for the following tax year. Where this residual income tax liability is more than NZ\$50,000 interest may be payable on the amount of underpaid tax.

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Step 3 – What to do before you arrive in New Zealand

Planning is the key

54. Depending on the particular circumstances of the individual, the taxation system in the country the individual is leaving and the existence of a double-taxation agreement with New Zealand, a wide range of taxation matters will have to be considered before the individual moves to New Zealand. Specific advice on eligibility for the transitional residence exemption, the extent of the exemption and planning for the expiry of the exemption period should be sought.
55. The following paragraphs outline a few of the issues that should be considered before the move.

Timing of income receipt

56. As mentioned previously, individuals resident in New Zealand are normally taxed on employment income upon receipt. As a result, income which is earned prior to becoming a New Zealand tax resident will not generally be taxable in New Zealand (unless the income is sourced in New Zealand). Depending on the taxation of such income in the foreign country of residence and the tax rates of that jurisdiction, an individual may wish to arrange to receive such income prior to entering New Zealand. Note, however, that any international assignment bonuses and allowances that are deemed to be earned in New Zealand will be subject to NZ tax, even if they are paid pre-arrival or post-departure.

Trusts

57. New Zealand operates a complex regime for the taxation of trusts involving non-resident settlors or beneficiaries. The regime looks to the residence of the settlor and, in some instances, can impose tax at the rate of 45% on distributions from the trust. Where certain disclosure requirements are met and elections made, it is possible to bring an offshore trust within the regime applying to domestic trusts. Disclosure requirements apply in a wide range of circumstances to both trustees and settlors. The trust regime is complex and potentially costly. Specific professional advice should be sought even where the transitional residence exemption exists.

Foreign trust disclosure

58. Disclosure requirements apply to a resident trustee of a foreign trust. Foreign nationals who are trustees of offshore trusts should seek specific advice as to their obligations.

Some useful points

59. Consideration might be given to the following tax planning points:
 - The income from certain foreign equity investments may be subject to new foreign investment fund rules. In some instances, it may be desirable to realize the investments before entering New Zealand or, if the transitional resident exemption is available, before that exemption period expires in order to defer the application of the new rules.
 - Reevaluate investments, especially those which provide tax shelter in the home country, to determine how such investments will be treated for New Zealand tax purposes. If such investments prove not to

be tax-effective for New Zealand tax purposes, consider disposing them before coming to New Zealand or, if the transitional resident exemption is available, before that exemption period of 48 months expires. In other instances, it may be advantageous to hold investments until after arriving in New Zealand (e.g., if a capital gains tax exposure at home may be eliminated where a share portfolio is disposed of after becoming a non-resident of the home country).

- Consideration might be given to disposing of investments that have accrued losses before New Zealand residence commences, in order to prevent the erosion of their tax cost resulting from the application of rules deeming acquisition.
- Investment portfolios should be organized between spouses so that individual recipients can be clearly established, in order to ensure limited attribution of income to the spouse with the higher income.
- Certain foreign life insurance policies and foreign superannuation and retirement schemes may be subject to New Zealand tax on an unrealized basis; therefore, professional advice should be sought to determine any taxation obligations.

Structuring the remuneration package

60. Some employers may offer their employees a complete remuneration package for working in New Zealand. In addition to regular salary, commissions, bonuses, etc., the employer may compensate the employee by providing a living allowance and payment for any additional costs which arise from living away from his/her home country. The Government has enacted legislative changes to the treatment of relocation costs. The eligible relocation costs can be treated as non taxable. Employers should be aware of the scope of eligible relocation costs when drafting the employment contract.
61. A decision must be made as to whether the remuneration is to be paid in New Zealand dollars or in the currency of the home country. This will be an important issue if there are significant fluctuation in exchange rates. This decision will not affect the tax payable in New Zealand, as a resident individual will be assessable on worldwide income and non-residents are assessable on New Zealand-sourced income regardless of the currency in which it is paid.
62. An employment contract should be reviewed by a New Zealand tax adviser prior to finalization. This is important for the purposes of identifying possible residency issues and putting in place tax-effective remuneration packages. For example, for US taxpayers, cash benefits may be more tax-effective than non-cash benefits, as a foreign tax credit will arise for New Zealand tax paid on cash benefits, but not on non-cash benefits subject only to New Zealand fringe benefits tax paid by the employer.

Tax reimbursement plan

63. It is not uncommon for employers to provide a tax equalization program in conjunction with an overseas assignment. This usually consists of a plan to ensure that the employee's total tax liability is not increased by accepting the overseas assignment. There are many variations in such plans. Consideration should be given to inclusion of such a plan as one of the conditions of the assignment.

Customs

64. On entering New Zealand to take up permanent residence, an individual may import personal and household effects (but not items of a commercial or business nature) free of duty and taxes. Note that such personal and household effects must have been owned and used by the individual prior to departure for New Zealand. Stringent agriculture quarantine requirements and import restrictions apply to plant and animal products. Personal effects do not include motor vehicles, but there is a concession enabling first-time immigrants to import a motor vehicle free of duty and taxes where that motor vehicle has been owned and used for at least 12 months prior to its import. However, it should be noted that if motor vehicles are sold or otherwise

disposed of within 24 months after importation, they may be subject to duty calculated on a sliding scale basis, with the value on the day of importation being apportioned to the period remaining of the 24 months.

Work permits

65. Before an individual is allowed to work in New Zealand he or she must have a valid work permit, unless the person is a permanent resident of Australia. In cases where a permit is required, an application should be submitted in conjunction with the proposed employer to the New Zealand Immigration Service in good time prior to departure for New Zealand. Work permits are available for periods not exceeding three years.

Employment contracts

66. New Zealand has a deregulated labour market where labour union membership is not compulsory. Employees and employers, or their appointed agents, negotiate employment contracts, which can be either written or unwritten, individual or collective. A minimum code of conditions is established to cover holiday entitlement, sick and parental leave rights as well as minimum health and safety standards. An individual should review his/her employment contract to ensure it reflects the terms and conditions of the secondment. This may be important to ensure continued participation in the employer's benefit plans.

Other matters

67. There are numerous other matters that while not compulsory, should be attended to prior to moving to New Zealand, including:
- Insurance coverage (both personal and property);
 - Granting of power of attorney where appropriate;
 - Shipment of personal and household goods;
 - Notification to banking and financial institutions and arrangement for continuation of payments;
 - Children's educational matters;
 - Care and transport of domestic pets and New Zealand quarantine rules;
 - Consultation with your legal adviser, particularly with respect to the validity of your current will on relocation to New Zealand. In addition, if you have no will, consider whether New Zealand intestacy rules may apply should you die while resident in New Zealand.

Pre-arrival consultation

68. If possible, a pre-arrival consultation should be held with a PricewaterhouseCoopers expatriate tax specialist well in advance of the transfer to New Zealand. This enables potential tax problems and planning opportunities to be identified and acted upon. It also facilitates contact between New Zealand and home country tax advisers, and with the assignee.

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Step 4 – What to do when you arrive in New Zealand

Tax file number (IR number)

69. Expatriates are not required to register with the New Zealand tax authority on arrival in New Zealand. However, upon arrival in New Zealand, individuals should apply to the IR for a tax file number. An employer and various other authorities making payments to individuals in New Zealand must be supplied with a tax file number. Failure to furnish a tax file number to employers, banks, etc., may result in greater deductions of withholding tax from income than would otherwise be made.
70. The IR has changed the process for applying for the IR number. The expatriates are required to apply for the IR number in person at certain Inland Revenue offices, a Post Shop or the Automobile Association (AA) Driver Licensing Agents.

Social welfare

71. New Zealand has reciprocal social security agreements with certain countries. No separate social security contributions are levied, other than a small levy to fund personal accident insurance. Please refer Appendix D. Individuals and their families may be immediately entitled to certain social welfare benefits under these agreements. Note, however, that some benefits are income tested and most are subject to tax. New Zealand does not have a separate social security tax.

Complying with home country tax law

72. Whilst in New Zealand, it is important that an individual continues to monitor and comply with any obligations arising under their home country tax law. Assistance in meeting these obligations can be provided by a PricewaterhouseCoopers expatriate tax specialist through access to our international network of offices.

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Step 5 – What to do at the end of the year

Tax return

73. The annual income tax liability and available rebates are determined by way of personal tax summaries issued by the IR and rebate claim forms filed by the individual.
74. Some individuals (including most international assignees) are still required to furnish returns. These include most non-residents who receive New Zealand sourced income, provisional taxpayers, recipients of withholding payments, taxpayers who have made a net loss or have a net loss to carry forward, taxpayers with interest or dividends that total more than NZ\$200 and have not had sufficient withholding tax deducted at source, and individuals who arrive in or leave New Zealand during that year.
75. Individuals who are required to file a tax return must complete a Form IR3 or, in the case of certain non-residents, a Form IR3 NR. These forms can be obtained from the IR if they are not posted out at the end of the tax year (31 March). Generally, the completed tax forms must be filed with the IR by the following 7 July following year end. Extensions of the time within which a tax return must be filed may be obtained on application or where the services of a recognized tax practitioner are used.
76. Most individuals who receive salary, wages, interest or dividends from a New Zealand source with the tax deducted at source will have their final income tax liability determined by a personal tax summary issued by the IR.

General Assessment

77. A personal tax summary which is deemed to be a return of income will also be deemed to be a general assessment of an individual's taxable income and the income tax payable/refundable.
78. If the personal tax summary is deemed to be a general assessment, then the IR will not send the taxpayer a separate notice of assessment.
79. If an individual accepts his/her personal tax summary as being correct, they are deemed to have signed it as if it was a return of income. If an individual disagrees with their income statement but fails to notify the IR, they are deemed to have taken the same tax position as that adopted by the IR.
80. The IR has advised that the confirmation of a personal tax summary can be done via the IR's toll-free telephone service.
81. An individual must notify the IR of any error in his/her personal tax summary, together with the necessary corrections, unless the amount of gross income from employment, interest or dividend not included in the personal tax summary is less than NZ\$200.
82. If a personal tax summary shows that the taxpayer is due a refund of less than NZ\$200, it will be paid automatically within 30 days of the personal tax summary being issued. A refund that exceeds NZ\$200 will not be refunded by the IR until the taxpayer has confirmed the personal tax summary is correct.

Payment of tax due

83. Where an assessment shows a balance of tax payable, the outstanding amount is payable by 7 February of the following year. However, where the taxpayer has a recognized tax agent, the due date for payment will be 7 April of the following year. Where payment is not made by the due date, additional taxes will be imposed and interest can arise in certain circumstances. These additional taxes will compound where tax remains unpaid.

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Step 6 – What to do when you leave New Zealand

Tax return

84. An individual who ceases to be resident in New Zealand is still subject to New Zealand tax on worldwide gross income from 1 April to the date of departure. After the date of departure to the following 31 March, the individual is only subject to New Zealand tax on New Zealand-sourced income, assuming the individual becomes a non resident on departure.
85. To file a part-year return, you will need to obtain details of your total earnings and tax deductions to date from your employer or from the IR.
86. If you are leaving part way through an income year, it is likely that you will be entitled to a tax refund; therefore, it is to your advantage to file a return.
87. Individuals are not specifically required to notify the IR that they are leaving New Zealand. The IR is notified of their departure via a disclosure item in the tax return although IR sometimes request a residence assessment form when assessing the final New Zealand tax return. A final resident tax return is prepared which includes New Zealand sourced income such as final salary, bonus relating to NZ employment paid prior to departure and portion of share options/benefits when received/exercised again prior to departure. For share/option income yet to be realised, there are no departure tax rules. Therefore share benefits income that vested in part while an individual was present in New Zealand may be taxable in New Zealand at a later time in the year of full vesting/exercise even though they may be realised after ceasing New Zealand tax residence – a subsequent non-resident return declaring this income may be required.

Transferring possessions

88. Most of an individual's belongings may be returned to his or her usual place of residence with a minimum of formality. There are limited restrictions applying to the export of goods. Controls limit trade in endangered species of flora and fauna.
89. Purchases of items prior to departure can be free of goods and services tax, provided that they are exported by the vendor and do not come into the purchaser's possession while still in New Zealand.

Becoming non-resident

90. An individual will remain a resident of New Zealand for tax purposes until such time as he or she ceases to have a permanent place of abode in New Zealand and has spent 325 days in any 12-month period away from New Zealand. In such a case, he or she will be deemed to be non-resident from the first day he or she was absent in that 12-month period. Often this will coincide with the departure date, but return visits to New Zealand after departure might affect the position.
91. An individual retaining a permanent place of abode in New Zealand after his/her departure will still have a liability to New Zealand income tax on his or her worldwide income, subject to the provisions of any applicable double taxation treaties.
92. A non-resident individual will only be liable to tax on income derived from a source in New Zealand. Some relief may be available where a double-taxation agreement applies.

KiwiSaver

93. An individual that has joined KiwiSaver may wish to consider a withdrawal of his/her KiwiSaver superannuation funds after his/her departure, particularly if the departure is permanent in nature. A cash withdrawal cannot be done earlier than 12 months after departure from New Zealand, although a transfer to a suitable foreign scheme could occur within the 12-month period. Tax implications of the foreign tax jurisdiction should be considered prior to any withdrawal from the superannuation fund.

Exit consultation

94. A final consultation with an expatriate tax specialist prior to departing New Zealand will enable all the relevant New Zealand tax issues to be identified and the appropriate actions taken. This could include filing the final tax return, pursuing appropriate tax planning opportunities and taking advantage of any concessional tax rates applicable. Cessation of tax residence could have an impact on New Zealand settled trusts, New Zealand held companies or partnerships. The tax treatment of negatively geared investments (thin capitalisation) may also change. Advice is always recommended.

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Step 7 – Other matters requiring consideration

Gift duty

95. Gift duty has been repealed from 1 October 2011. Gifts made on or after 1 October 2011 are not liable for gift duty and gift statements (and accompanying documents) do not need to be filed for these gifts any longer. Even though gift duty has been repealed, the income tax and legal implications of gifts still need to be considered.

Accident compensation

96. Anyone who suffers personal injury by accident while in New Zealand is covered by the Accident Rehabilitation and Compensation Insurance Scheme. The scheme provides benefits, on a no-fault basis, to meet medical costs and to provide earnings-related compensation where appropriate. The scheme is funded by special levies imposed on motor vehicle registration, petrol, business income from self-employment, payroll and employees' earnings. The employee levy is charged at a flat rate of 1.70% of earnings up to maximum earnings of \$113,768 from 1 April 2012.

Estate duty

97. Estate duty has been abolished in New Zealand.

International taxation

98. A complex tax regime applies where persons hold interests in controlled foreign companies (CFCs) and foreign investment funds (FIFs).

The CFC regime requires attribution of the profits of a CFC to resident shareholders who hold income interest in the company of 10% or more. A FIF is generally a non-CFC entity located outside New Zealand. It can include foreign superannuation funds and life insurance policies.

There are 3 different regimes as explored below:

99. CFCs: CFCs are non-resident companies which are controlled by New Zealand residents. The government has recently enacted changes to the CFC regime - changing to an active/passive income test rather than a country by country based exemption.
100. Portfolio FIFs: A FIF is an offshore investment held by a New Zealand resident taxpayer who holds less than 10% of the shares in a foreign company or less than 10% of the units in a foreign unit trust or certain foreign pension schemes or certain foreign life insurance policies. For such investments, individuals will need to calculate income on a deemed basis under several available income calculation methods unless specific exemptions apply.
101. Non portfolio FIFs of 10% or greater but not necessarily a CFC: New rules are currently being introduced (with retrospective effect for income years starting after 1 July 2011) to move the active business threshold to 10% ownership (subject to certain requirements) or for the investor to adopt the same income rules for less than 10% investors.

As the CFC and FIF regimes are complex, professional advice should be sought to determine any taxation obligations. Interests in foreign pension plans may give rise to New Zealand tax liabilities even where no income has been realized.

102. The transitional resident exemption, if available, will provide temporary relief from these regimes during the 48-month exemption period.

Goods and services tax

103. Goods and services tax (GST) is a broad-based consumption tax on goods and services supplied in New Zealand other than exempt financial services and domestic rental accommodation. GST is currently chargeable at the rate of 15%. Goods imported into New Zealand also are chargeable with GST. Exports of goods and certain services are zero rated.

Other indirect taxes

104. Other indirect taxes include customs duties levied on certain goods imported into New Zealand and miscellaneous excise duties levied on alcoholic beverages, tobacco products, vehicles and petroleum fuels.

Foreign exchange

105. New Zealand has no foreign exchange controls. Individuals may move funds into and out of the country without restriction. However, gains or losses arising from the effect of exchange variations on money lent or borrowed in a foreign currency may be required to be included when calculating the taxable income of a resident individual. Many loans and investments outside New Zealand may be exposed, including mortgages over properties in an individual's home country.
106. The transitional resident exemption, if available, will provide temporary relief from these regimes during the 48-month exemption period, but only in respect of non-New Zealand-based financial arrangements.

Miscellaneous

107. Although this folio is primarily concerned with tax matters, we recommend that advice be sought on the following topics before arriving in New Zealand:
- The availability of housing and the likely costs of accommodation;
 - Educational facilities for children, where appropriate;
 - The level of remuneration required to provide a proper standard of living for an individual and his or her family;
 - Motor regulations;
 - Life insurance and other insurance coverage while working in New Zealand.

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Appendix A – Overview of income tax rates

Personal income tax rates

Tax rates applicable to individuals for the period 1 April 2011 – 31 March 2012 are as follows (in NZ\$):

Taxable income over	Not over	Tax on Column 1	Percentage on excess
0	14,000	1,470	10.5%
14,001	48,000	7,420	17.5%
48,001	70,000	14,020	30.0%
70,001	and above		33.0%

There is no announced change to the above tax rates as at the date of this document, that is, the above rates are expected to apply beyond 1 April 2012.

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Appendix B – Typical tax computation

Typical tax computation for 2011/12

Tax computation	NZ\$	NZ\$
Salary	120,000	
Interest income	10,000	
Dividend income	5,000	
Overseas taxable income	6,000	
Total taxable income		141,000
Income tax payable		
First [0 - 14,000] @ 10.5%	1,470	
Second [14,001 - 48,000] @ 17.5%	5,950	
Third [48,001 - 70,000] @ 30%	6,600	
Fourth [70,001 - 141,000] @ 33%	23,430	
Total tax		37,450
Less:		
Overseas tax credit	(600)	
Imputation credit	(1,650)	
Tax deducted at source (PAYE)	(38,070)	
Resident withholding tax	(3,300)	
Residual income tax		(6,170)
Less: Provisional tax paid		–
Tax to pay/(refund due)		(6,170)

Please note that “new migrants” and certain returning New Zealanders may be exempt from New Zealand tax on certain income (includes foreign interest and dividend income) if they obtain New Zealand tax residence after April 1, 2006 and meet other criteria. If the exemption applies, the above calculation would change per below.

Tax computation – Transitional Resident	NZ\$	NZ\$
Salary	120,000	
Interest income	10,000	
Dividend income	5,000	
Overseas taxable income	–	
Total taxable income		135,000
Income tax payable		
First [0 - 14,000] @ 10.5%	1,470	
Second [14,000 - 48,000] @ 17.5%	5,950	
Third [48,000 - 70,000] @ 30%	6,600	
Fourth [70,000 - 135,000] @ 33%	21,450	
Total tax		35,470
Less:		
Overseas tax credit	–	
Imputation credit	(1,650)	
Tax deducted at source (PAYE)	(38,070)	
Resident withholding tax	(3,300)	
Residual income tax		(7,550)
Less: Provisional tax paid		–
Tax to pay/(refund due)		(7,550)

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Appendix C – Double-taxation agreements

Countries with which New Zealand currently has double-taxation agreements:

Australia	Finland	Korea (Republic of)	South Africa
Austria	France	Malaysia	Spain
Belgium	Germany	Mexico	Sweden
Canada	Hong Kong *	The Netherlands	Switzerland
Chile	India	Norway	Taiwan
China, P.R.	Indonesia	Philippines	Thailand
Czech Republic	Ireland	Poland	Turkey**
Denmark	Italy	Russian Federation	United Arab Emirates
Fiji	Japan	Singapore	United Kingdom
			United States

* The Hong Kong DTA came into force from 1 April 2012.

** The Turkey DTA effectively came into force from 1 April 2012 (although withholding tax relief may apply from 1 January 2012).

Treaty negotiations are continuing with Luxembourg, Papua New Guinea and Vietnam.

Tax information exchange agreements (TIEAs)

Tax information exchange agreements (TIEAs) are a limited form of a double-taxation agreement that is concerned only with assisting in the prevention of tax avoidance and tax evasion. New Zealand has TIEAs with:

Anguilla**	Cook Islands**	Isle of Man	Samoa**
Bahamas **	Curarao*	Jersey	Sint Maarten*
Bermuda **	Dominica**	Marshall Islands**	St. Vincent and the Grenadines**
British Virgin Islands **	Gibraltar	Netherlands Antilles*	Turks and Caicos Islands**
Cayman Islands	Guernsey	Saint Christopher and Nevis **	Vanuatu**

* The islands of Curacao and Sint Maarten are now separate constituent countries within the Netherlands. The Netherlands Antilles TIEA continues to apply, however the agreement is now administered by each country.

** These agreements are not yet in force.

Treaty discussions are continuing with Antigua and Barbuda, Aruba, Grenada, Macao, Monaco, Montserrat, Nauru, Niue, St. Lucia, Seychelles and Tonga.

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Appendix D – Social security agreements

New Zealand currently has social security agreements with:

Australia	Greece	Jersey & Guernsey
Canada	Ireland	The Netherlands
Denmark	Italy*	United Kingdom

* The Italy agreement has been concluded but is not yet in force (awaiting ratification by Italian Parliament)

Terms of each agreement vary and are generally country specific.

Treaty negotiations are continuing with Croatia, Cyprus, Hungary and Malta.

A special portability arrangement rather than an agreement exists with:

America Samoa	Nauru	Solomon Islands
Cook Islands	New Caledonia	Tokelau
Fed. States of Micronesia	Niue	Tonga
Fiji	Northern Mariana Islands	Tuvalu
French Polynesia	Palau	Vanuatu
Guam	Papua New Guinea	Wallis and Futuna
Kiribati	Pitcairn Island	
Marshall Islands	Samoa	

The arrangement means that people who already qualify for New Zealand Superannuation or Veteran's Pension can continue to receive it if they reside for no more than 52 weeks in any of the above countries. No other New Zealand benefits or pensions are paid under this arrangement.

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Appendix E – Elements of remuneration packages

Elements of remuneration packages

The taxation of elements of a remuneration package generally depends on the nature of the payment, who meets that payment and the extent to which a benefit may be referred on an employee. Specific advice is recommended.

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Appendix F – New Zealand contacts and offices

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