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Global Mobility Services Taxation of International Assignees – New Zealand

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Organisation*

*Global Mobility
Country Guide*

April 2018



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Last Updated: April 2018

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Country: New Zealand

Introduction:	International assignees working in New Zealand	4
Step 1:	Understanding basic principles	5
Step 2:	Understanding the New Zealand tax system	9
Step 3:	What to do before you arrive in New Zealand	14
Step 4:	What to do when you arrive in New Zealand	19
Step 5:	What to do at the end of the year	20
Step 6:	What to do when you leave New Zealand	22
Step 7:	Other matters requiring consideration	24
Appendix A:	Overview of income tax rates	26
Appendix B:	Typical tax computation	27
Appendix C:	Double-taxation agreements	29
Appendix D:	Social security agreements	31
Appendix E:	Elements of remuneration packages	32
Appendix F:	New Zealand contacts and offices	33

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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 an 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 April 2018. 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 a basic understanding of the 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 Suzie Chichester (Tel [64] 9 355 8386) or Jenny Ruiz (Tel [64] 9 355 8476), in our Auckland office, and Naomi Burwell (Tel [64] 4 462 7369 or Alice Chiu (Tel [64] 4 462 7237), from our Wellington office.

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 23). 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 New Zealand tax position will depend on whether you are a tax

resident, transitional resident, or a non-resident.

Capital gains tax

3. There is currently no separate capital gains tax in New Zealand. Gains arising from certain transactions in personal property, real estate, financial arrangements and certain foreign investments may, however, be subject to income tax (please refer to paragraph 49 for further comments).

Tax year of individual

4. The tax year for an individual runs from 1 April to 31 March. The 2018 tax year, for example, ends on 31 March 2018.

Filing in lieu of a tax return:

5. Individuals who only derive income 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.
6. At the end of the income year, Inland Revenue (IR) may issue a personal tax summary based on wages and salary information provided by employers. This summary will show if there is a refund due or tax to pay.
 7. 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.
 8. Other individuals may request a personal tax summary. You may wish to consider requesting a personal tax summary if you only worked part of the tax year, or want to claim expenses such as income protection insurance premiums.



9. If you request a personal tax summary, you need to check it and inform IR if there are any corrections or additions. If you receive the summary and do not contact IR you are deemed to have accepted IR's view of your tax position.
10. From 1 April 2017 onwards, as employee share scheme income will be reported by employers to IR (see paragraph 38 for details) we are expecting an increase in tax summaries issued by IR to collect any tax due from employees.
11. Individuals who wish to claim a tax credit for donations must complete a separate donations tax credit form (IR 526).
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 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 payments 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 recognised tax practitioner are used.

Tax residence status

15. A person is a 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. Case law and recently updated IR guidance has confirmed that one must first have a dwelling in which one habitually resides (generally interpreted widely) to have a place of abode. However, factual circumstances (e.g. the duration of their presence, the nature and quality of the use of the place of abode, the durability of the person's association with the place of abode, overall connection to the place of abode, etc.) must be then reviewed on a case-by-case basis to determine whether that place of abode is sufficient to be a permanent place of abode in New Zealand. 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 IR.
18. For the purposes of the 183-day and 325-day count tests, where a person 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

19. 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, they will be taxed on their worldwide income, usually on a received

basis, for that part of the year that they were 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

20. 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, IR generally holds the view that a permanent home available

does not exist if the accommodation is temporary in nature such as multiple short stay serviced apartments even though the total length of time in the host country may be much longer. Where the permanent home available tiebreaker test does not resolve the issue of residence, other tiebreaker rules may be applied to reach a conclusion.

Spouses

21. Spouses are treated as separate taxpayers in New Zealand and separate tax returns are filed. However, for certain welfare purposes, the concept of family income is relevant.

Family assistance

22. Since April 2005, the government has been phasing in the “Working for Families” package to assist low to middle-income families. It aims to increase family incomes and make housing and childcare more affordable for families. Working for Families is not available to individuals who are within their 48-month transitional resident exemption period (see below) and should such an individual claim Working for Families, they will be deemed to have elected out of the transitional resident exemption.

Tax exemptions

23. The government enacted a temporary exemption (the “transitional resident” exemption) on certain foreign-sourced income for first time tax residents or returning New Zealanders (who have been non-resident continuously for at least 10 years) effective 1 April 2006. If eligible, a tax resident 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.
24. There is a separate 48-month exemption in the context of foreign pension lump sum withdrawals or transfers. The exemption is designed to provide targeted relief for returning residents (holding foreign pension entitlements) who do not satisfy the transitional residence criteria (see above).

KiwiSaver

25. All full and part-time employees aged between 18 to 65 are able to 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) applies to all employers’ cash contributions to employees’ superannuation funds including KiwiSaver accounts (and complying superannuation funds). The minimum compulsory contribution amount required of employers is 3% although additional voluntary contributions may be made by the employer. Initial KiwiSaver enrolment applies to employees who are New Zealand citizens or entitled to be in New Zealand indefinitely.

International visitors (excluding certain Australian citizens) and those on temporary work permits cannot become KiwiSaver members so KiwiSaver will not affect most international assignees to New Zealand. Migrants to New Zealand from Australia will have the option of transferring any Australian Superannuation Funds to certain New Zealand KiwiSaver funds where they have permanently emigrated from Australia.

26. New eligible employees will automatically be enrolled and have a six-week period in which to opt out.

Step 2:

Understanding the New Zealand tax system

Taxation of New Zealand tax residents

Worldwide income

27. An individual who is a New Zealand tax resident is subject to New Zealand tax on their worldwide income, whether or not the income is earned in or remitted to New Zealand.

Employment income

28. 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 and expenditure incurred on account of an employee.
29. Accommodation benefits an individual receives in connection with his/her employment or service are taxable unless an exemption applies. There are exemptions for employer provided accommodation in specific assignment related scenarios, provided they are not part of a salary sacrifice

arrangement. Only employers can determine the tax treatment of employer provided accommodation or allowances and therefore employers should obtain specific advice in the structuring of inbound and outbound assignments.

30. Some relocation expenses paid by an employer are, in some cases, non-taxable to the employee. The government has legislated the scope of what relocation costs are non-taxable.
31. Employers are required to withhold and remit income taxes (PAYE) to IR when paying an individual's employment income.
32. 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;
- Subsidised transport;
- Employer contributions to foreign employee superannuation schemes or other insurance benefits.

Employee share purchase schemes

33. 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.

34. 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.
35. New legislation was enacted on 29 March 2018 introducing new rules to align the taxing point of employee share scheme (ESS) income to when economic ownership of the shares is received by the employee. Employers are encouraged to take advice on the tax implications of employee share schemes.
36. In practice, based on current rules, individuals are taxed in New Zealand on discounts obtained 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.
37. 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.
38. From 1 April 2017 onwards, employers have compulsory reporting requirements in New Zealand in respect of most ESS income. From this date, employers also have the ability to voluntarily withhold tax on ESS income. Both the mandatory reporting and voluntary withholding will be via the PAYE (payroll) system. Where employer reporting is completed, employees will no longer need to separately disclose this income on their individual income tax returns. Where PAYE withholding is applied, no further tax should be payable by employees. Where no withholding is applied, employees will need to continue to pay the tax due to IR via their income tax return or on receipt of the personal tax summary. Employers should obtain advice on their requirements particularly in relation to internationally mobile assignees where the amount to be reported may vary due to foreign service. Employers will also need to decide if voluntary withholding will be applied and how this would be funded.
- Interest*
39. Interest income is treated 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 a credit is given for any tax withheld on the interest payment. 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.
40. The gross amount of foreign-source interest income is taxable in New Zealand. A tax credit is granted for foreign tax withheld at source. Credit provided for foreign tax paid is capped at the New Zealand tax payable.
41. The transitional resident exemption, if applicable, will exempt foreign interest income during the 48-month exemption period.
42. If an individual has a foreign mortgage there may be a requirement to register the mortgage and deduct non-resident withholding tax (NRWT) from the interest payments. Certain exemptions are available if the bank has a branch in New Zealand. Further advice is recommended.
- Dividends*
43. 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 already 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.

44. Foreign dividend income is taxable in full unless the individual is subject to the Foreign Investment Fund (FIF) rules (please refer to paragraph 110 for further details). The gross amount of the dividend received must be converted into New Zealand currency before inclusion in income. A foreign tax credit is available for taxes withheld at source on dividends. The credit for foreign tax paid cannot exceed New Zealand tax payable on the income.
45. The transitional resident exemption, if applicable, will exempt foreign dividend income during the 48-month exemption period.

Rents

46. Rental income is treated as ordinary income. Certain expenses incurred are allowed as a deduction in

determining the net rental income subject to tax. Deductions allowed from gross rental income include repairs and maintenance, agent's fees, insurance, mortgage interest and a depreciation allowance (limited only to chattels). Foreign exchange gains or losses on mortgages denominated in foreign currency, whether realised or unrealised, may also be subject to tax. Total allowable rental expenses are currently 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. An issues paper was released in March 2018 proposing to ring fence rental losses.

47. Rental properties that are used for both private and income earning purposes are subject to the mixed use assets rules. This legislation limits taxpayers' ability to claim tax deductions for costs associated with the properties. It is important that individuals with mixed use assets keep records of the days the asset is deriving income and days where the asset is used for private purposes.
48. The transitional resident exemption, if applicable, will exempt foreign rental income

during the 48-month exemption period.

Capital gains

49. Certain capital gains derived from real property transactions may be taxable to the individual. Liability is based on factors such as length of ownership, whether the property has been re-zoned, and the business activities of the individual or persons associated with the individual.
50. With effect from 1 October 2015 a new "bright line" test was introduced that will require income tax to be paid on any gains from residential property that is disposed of within 2 years of acquisition. This has been extended to within 5 years of acquisition for residential properties purchased from 29 March 2018. Tax on gains will be payable at an individual's marginal income tax rate. These rules are broad enough to capture gains on the disposal of foreign property of New Zealand residents if they meet the criteria.

Exemptions apply to the taxpayer's main (family) home, or where the property is part of a deceased estate or inheritance or where the property is transferred as part of a relationship settlement. As part of these new requirements, non-

resident / offshore individuals will need to apply for a New Zealand Inland Revenue number (see paragraph 78) in order to acquire certain New Zealand real estate. Additionally, withholding tax can apply to transactions involving non-residents. Specific advice is recommended.

Self-employment

51. Self-employed individuals may deduct expenditure incurred in deriving taxable income from their businesses. The individual may also be required to register for goods and services tax and may have certain legal responsibilities as an employer. It is recommended that professional advice be sought before commencing any such undertaking. Certain self-employment income is subject to withholding tax deductions by the payer depending on the nature of the services and / or where the services are provided. New Zealand now allows certain contractors to voluntarily choose a rate of withholding tax if certain criteria are met.

Deductions from income

52. Income tax is assessed on virtually all gross employment income. There are limited allowable deductions against

employment income such as professional fees for preparing tax returns and certain premiums for loss of earnings insurance. Additionally, 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 is also deductible provided the interest is incurred in deriving gross income for the individual.

Foreign superannuation

53. The taxation of foreign superannuation (accruing entitlements, pension and annuity amounts as lump sum amounts) is complex and advice is strongly recommended.

Taxation of non-residents

New Zealand income

54. 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.

55. Interest deductions on New Zealand business operations /rental properties could be restricted – a thin capitalisation regime exists and this also applies to individual taxpayers.

Withholding tax

56. 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. Resident individuals making interest payments to offshore banks may be subject to these withholding tax obligations unless exemptions apply.

Computation of tax

Tax rates

57. 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 on interest, dividend or royalty amounts).

A typical tax computation is set out in Appendix B.

Tax Credits

58. Tax credit schemes exist to give effect to social policy. The availability of tax credits is generally limited to tax residents. The following tax credits may be available to taxpayers:
- Making charitable or other public benefit gifts of more than NZ\$5; tax credits arising through gifts cannot exceed the income tax otherwise payable; and
 - Independent Earner Tax Credit (IETC).
59. Once an individual's final tax liability is determined, the applicable tax credits and source deductions are applied to calculate the final 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; and
 - Foreign tax credits.
60. 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.

Provisional tax payments

61. 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 instalments for the following tax year. Where this residual income tax liability is more than NZ\$60,000 backdated interest may be payable on the amount of underpaid tax (this threshold was previously NZ\$50,000 for income tax years commencing prior to 1 April 2017).

Step 3:

What to do before you arrive in New Zealand

Planning is the key

62. Depending on the particular circumstances of the individual, the taxation system of 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 their eligibility for the transitional residence exemption, the extent of the exemption and planning for the expiry of the exemption period should be sought.
63. The following paragraphs outline a few of the issues that should be considered before the move.

Timing of income receipt

64. 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 New Zealand tax, even if they are paid pre-arrival or post-departure.

Trusts

65. 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

66. Disclosure requirements apply in respect of foreign trusts. Legislation has recently been enacted increasing the disclosure requirements and including, amongst other changes, the creating of a register of foreign trusts, more detailed information to be provided on trustees and beneficiaries and annual return filing obligations. Specific advice is recommended on these requirements.

Some useful points

67. Consideration might be given to the following tax planning points:
- The income from certain foreign equity investments may be subject to the FIF rules (please refer to paragraphs 108 to 111 for further details). In some instances, it may be desirable to realise 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 these rules.
 - Re-evaluating 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 of 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 organised 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 may be subject to New Zealand tax on an unrealised basis.
- The taxation of foreign superannuation and retirement schemes is complex; therefore, professional advice should be sought to determine any taxation obligations in both these areas.

Structuring the remuneration package

68. 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 an allowance and payment for any additional costs which arise from living away from his/her home country. Certain eligible relocation costs and accommodation benefits / allowances can be treated as non-taxable. Employers should obtain advice when drafting the employment or assignment offer to maximize the benefit of exemptions where applicable.
69. 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 may be significant fluctuations in exchange rates. This decision will not affect the tax payable in New Zealand, as a resident individual will be taxed on worldwide income and non-residents are taxed on New Zealand-sourced income regardless of the currency in which it is paid.

70. An employment contract should be reviewed by a New Zealand tax adviser prior to finalisation. This is important for the purposes of identifying possible residency issues, exemption opportunities and putting in place tax-effective remuneration packages from both home and host country perspective. Aside from exemption opportunities, cash benefits may be more tax-effective than non-cash benefits, if foreign tax credit issues are relevant. In other cases, non-cash benefits may be more tax efficient.

Tax reimbursement plan

71. It is not uncommon for employers to provide a tax equalisation 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

72. 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 Visas

73. Before an individual is allowed to work in New Zealand he or she must have a valid work visa, unless the person is a citizen of Australia or New Zealand, a holder of a New Zealand Resident Visa, or a holder of an Australian Permanent Resident Visa. In cases where a work visa is required, an application should be submitted (in conjunction with the proposed employer) to Immigration New Zealand in sufficient time prior to departure for New Zealand. Work visas are typically issued in line with the duration of their New Zealand employment, up to a period not exceeding five years. PwC New Zealand has fully licensed immigration advisors that can assist you in your immigration needs.

Foreigners who breach any of their visa conditions (for example working without a valid work visa, or working for a different employer or location than what is allowed on their work visa) are liable for deportation.

There are significant penalties for employers for non-compliance and implications for the approval of future application.

Employment contracts

74. 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 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.

- 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.

Other matters

75. 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 assets);
 - 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;

Pre-arrival consultation

76. If possible, a pre-arrival consultation should be held with a PwC expatriate tax specialist and immigration advisor 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.



Step 4:

What to do when you arrive in New Zealand

Tax file number (IRD number)

77. Individuals should apply to IR for a tax file number upon arrival in New Zealand (known as an IRD number).
78. IR has changed the process for applying for an IRD number. There are now two different IRD number application forms with separate forms for resident individuals and non-resident / offshore individuals. Resident individuals should complete Form IR595. Non-resident / offshore individuals should complete Form IR742. Previously IRD numbers needed to be applied for in person, however, there is now the ability to apply online for an IRD number where certain conditions are satisfied. Non-resident individuals (other than Australian passport holders) will require a fully functioning New Zealand bank account in order to obtain a New Zealand IRD number. Practical difficulties have been encountered by

non-resident individuals in opening a New Zealand bank account in order to obtain an IRD number. Individual assignees may require guidance on the appropriate application form and process to be completed to obtain an IRD number.

Social welfare

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

Complying with home country tax law

80. 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 PwC expatriate tax specialist through access to our international network of offices.

Step 5:

What to do at the end of the year

Tax return

81. The annual income tax liability and available tax credits are determined by way of personal tax summaries issued by IR and tax credit claim forms filed by the individual.
82. Some individuals (including most international assignees) are 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.
83. Individuals who are required to file a tax return must complete Form IR3 or, in the case of certain non-residents, Form IR3N. These forms can be obtained from 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 IR by the 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 recognised tax practitioner are used.

84. 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 IR.

General Assessment

85. 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.
86. If the personal tax summary is deemed to be a general assessment, then IR will not send the individual a separate notice of assessment.
87. 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 IR, they are deemed to have taken the same tax position as that adopted by IR.

88. IR has advised that the confirmation of a personal tax summary can be done via IR's online services or toll-free telephone service.
89. An individual must notify 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 dividends not included in the personal tax summary is less than NZ\$200.
90. 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 IR until the taxpayer has confirmed the

personal tax summary is correct.

Payment of tax due

91. 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 recognised tax agent, the due date for payment will be 7 April of the following year. Where payment is not made by the due date, late payment penalties will be imposed and interest can arise in certain circumstances. These penalties and interest will compound where tax remains unpaid.



Step 6:

What to do when you leave New Zealand

Tax return

92. 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.
93. To file a part-year return (Form IR3), you will need to obtain details of your total earnings and tax deductions to date from your employer or from IR.
94. 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.
95. Individuals are not specifically required to notify 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 resident New Zealand tax return.

96. For share/option income yet to be realised, there are no departure tax rules. Therefore share benefits income that relates to services performed wholly or partly in New Zealand during the vesting period may be taxable in New Zealand at a later time (in the year of full vesting/exercise) even though the share taxable income is realised after ceasing New Zealand tax residence – a subsequent non-resident return declaring this income may be required (where there is no employer reporting on this equity income).
97. An individual with a New Zealand student loan who is going overseas for 6 months or more should confirm their notification and repayment obligations with IR.

Transferring possessions

98. 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.

99. 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

100. An individual will remain a resident of New Zealand for tax purposes until such time as they cease to have a permanent place of abode in New Zealand and have spent 325 days in any 12-month period away from New Zealand. In such a case, they will be deemed to be non-resident from the first day they were 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.
101. 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 their worldwide income, subject to the provisions of any applicable double taxation agreement.

102. A non-resident individual will only be liable to tax on income sourced in New Zealand. Some relief may be available where a double taxation agreement applies.

KiwiSaver

103. 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; however, transfers to a suitable foreign scheme are possible within the 12-month period. The cash withdrawal option is not available to those permanently moving to Australia. Tax implications of the foreign tax jurisdiction on the transfer should be considered prior to any withdrawal from the superannuation fund.

Exit consultation

104. 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 and the taxation of non NZD bank accounts and foreign debt instruments. The tax treatment of negatively geared investments (thin capitalisation) may also change. Advice is always recommended.

Step 7:

Other matters requiring consideration

Gift duty

105. 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

106. Anyone who suffers personal injury by accident while in New Zealand is covered by the Accident Rehabilitation and Compensation Insurance Scheme (ACC). 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, and business income from self-employment, payroll and employees' earnings. The employee levy is charged at a flat rate of 1.39% of earnings

up to maximum earnings of \$126,286 from 1 April 2018.

Estate duty

107. Estate duty has been abolished in New Zealand.

International taxation

108. Complex tax regimes apply where persons hold interests in controlled foreign companies (CFCs) and foreign investment funds (FIFs).

New Zealand's approach to worldwide taxation may require resident shareholders of foreign entities to attribute income from a CFC or FIF. Such rules may also extend to certain foreign superannuation schemes prior to 31 March 2014 and to certain life insurance policies. As the CFC and FIF regimes are complex, professional advice should be sought to determine any taxation obligations.

There are 3 different regimes as explained below:

109. CFCs: The CFC regime applies to non-resident companies which are controlled by New Zealand residents. The government has previously enacted changes to the CFC regime - changing to an active/passive income test rather than a country by country based exemption. Income attribution only applies to passive income and there is usually a 5% threshold before that passive income is taxable.
110. Portfolio FIFs: The FIF regime applies where an offshore investment is 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, certain foreign superannuation interests 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.

111. Non portfolio FIFs: this regime applies where an offshore investment of 10% or greater is held by a New Zealand resident but it is not necessarily a CFC: Investors may have a choice to apply the CFC rules or to apply the Portfolio FIF rules.
112. The transitional resident exemption, if available, will provide relief from these regimes during the 48-month exemption period.

Goods and services tax

113. 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 are also subject to GST. Exports of goods and certain services are zero rated.

Other indirect taxes

114. 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-based fuels.

Foreign exchange

115. 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.
116. 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

117. 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 vehicle regulations;
- Life insurance and other insurance coverage while working in New Zealand.

Appendix A:

Overview of income tax rates

Personal income tax rates

Tax rates applicable to individuals for the period 1 April 2017 – 31 March 2018 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%

Appendix B:

Typical tax computation

Typical tax computation for 2017/18

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	(1,400)	
Tax deducted at source (PAYE)	(38,070)	
Resident withholding tax	(3,550)	
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 1 April, 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	(1,400)	
Tax deducted at source (PAYE)	(38,070)	
Resident withholding tax	(3,550)	
Residual income tax		(7,550)
Less: Provisional tax paid		-
Tax to pay/(refund due)		(7,550)

Appendix C:

Double-taxation agreements

Countries with which New Zealand currently has double taxation agreements:

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

Treaty negotiations and re-negotiations are continuing with a number of countries. New Zealand is currently negotiating new DTAs or protocols with:

- Austria (2nd Protocol)
- Belgium (3rd Protocol being negotiated, 2nd protocol signed but not yet in force)
- China (DTA)
- Fiji (DTA)
- Hong Kong (2nd protocol signed but not yet in force)
- Korea (DTA)
- Luxembourg (DTA)
- Netherlands (Protocol)
- Norway (DTA)
- Portugal (DTA)
- Saudi Arabia (DTA)
- Slovak Republic (DTA)
- United Kingdom (DTA)

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	Curacao*	Marshall Islands	Sint Maarten*
Bahamas	Dominica	Netherlands Antilles*	Turks and Caicos Islands
Bermuda **	Gibraltar	Niue	Vanuatu
British Virgin Islands	Guernsey	Saint Vincent and the Grenadines	
Cayman Islands	Isle of Man	Saint Christopher and Nevis **	
Cook Islands	Jersey	San Marino	

* The islands of Curacao and Sint Maarten are 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.

TIEA discussions are continuing with Antigua and Barbuda, Aruba, Grenada, Macao, Monaco, Montserrat, Nauru, St. Lucia, San Marino and Seychelles.

FATCA

New Zealand has entered into an agreement with the United States which helps financial institutions to minimise compliance costs in meeting United States reporting requirements.

Multilateral Conventions

New Zealand is a party to OECD's: Convention on Mutual Administrative Assistance in Tax Matters and Multilateral Convention to Implement Tax Treaty related measures to prevent BEPS.

Automatic Exchange of Information (AEOI) ad Common Reporting Standard (CRS)

Although not represented by any specific treaty, the [AEOI initiative](#) provides for the exchange of FATCA-type information under the OECD Convention on Mutual Administrative Assistance in Tax Matters and under some DTAs. The CRS sets out the international rules for the collection and reporting of this information

Appendix D:

Social security agreements

New Zealand currently has social security agreements with:

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

If you are from a country that has one of these agreements with New Zealand, you may be entitled to benefits or pensions either from New Zealand, from that country, or from both. Terms of each agreement vary and are country specific. Generally speaking, New Zealand does not have a separate social security tax. The provision of social security benefits is funded by general income tax and GST collection. The social security system is a residence based system and therefore agreements do not generally contain provisions for the retention of benefits in the New Zealand system once a person leaves New Zealand.

* Agreement has been concluded but is not yet in force (awaiting ratification).

Treaty negotiations are continuing with other countries.

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 or intend to reside for more than 52 weeks in any of the above countries. No other New Zealand benefits or pensions are paid under this arrangement.

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.

Appendix F:

New Zealand contacts and offices

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