

Working in New Zealand

An overview of the key tax matters that individuals should be aware of when they work in New Zealand.

Basis of taxation

Tax residency

A tax resident of New Zealand is subject to New Zealand tax on their worldwide income. This is regardless of where the income is earned or where the income is paid (subject to Transitional Resident rules below).

A credit for foreign income tax paid is generally allowed up to the New Zealand income tax payable on the foreign income.

A person is a New Zealand resident for tax purposes if:

- That person is present in New Zealand for a period or periods exceeding 183 days in any period of 12 months; or
- The person has a permanent place of abode in New Zealand (the extent to which you have a home and enduring ties to New Zealand)

If you arrived from a country with which New Zealand has a double tax agreement (DTA), it may be necessary to refer to the DTA to determine your tax residency. This will be the case only if you have remained tax resident in the country you have arrived from. A list of these countries is provided on the reverse of this flyer.

Essential tax information

Income tax year

New Zealand's income tax year is 1 April to 31 March. Unlike in many other countries, it is not possible to file joint income tax returns; each individual generally files their own income tax return.

Personal tax rates

The tax rates for the 2012 income tax year are:

From 1 April 2011 to 31 March 2012.

Taxable Income NZ\$

| | |
|-----------------|-------|
| 0 – 14,000 | 10.5% |
| 14,001 – 48,000 | 17.5% |
| 48,001 – 70,000 | 30% |
| 70,001 upwards | 33% |

Employers collect income tax from salary and wages income via a withholding tax called Pay As You Earn (PAYE).

Transitional Resident rules

Special rules apply to persons who qualify as a transitional resident.

A 'transitional resident' in generic terms is a person who becomes tax resident in New Zealand for the first time after 1 April 2006 or a returning New Zealander who has been a non resident for at least 10 years. Advice should be sought if you consider that you may qualify as a transitional resident.

A transitional resident is exempt from tax on most foreign sourced income for up to 48 months from the date they become resident.

Transitional residents are also exempt from the Foreign Investment Fund rules and there are certain exemptions from our Financial Arrangement rules.

Accident Compensation Corporation Levies

- The ACC scheme provides 'no fault' insurance in the case of accidents. Employers pay a levy to provide cover for their employees while at work. Employees also pay a levy to provide cover when not at work. The employee levy payable for the 2012 year is 2.04% of the employee's salary or wages. The 2.04% levy is capped at NZ\$111,699 of taxable income, so the maximum payable is NZ\$2,278.04. The levy rate and threshold is subject to change each year.
- The ACC levy is withheld at the same time as PAYE deductions.

Fringe Benefit Tax (FBT)

- Unlike in many other countries, employees do not pay tax on fringe benefits received. The employer is liable for FBT on the taxable value of fringe benefits provided to employees.
- Fringe benefits typically include the provision of non-cash benefits, e.g. motor vehicles, health insurance, etc.
- FBT payable will be based on the net cash remuneration inclusive of fringe benefits of the employee. Rates ranging from 11.73% to 49.25% will apply.
- In general, the rate of FBT will be 49.25% if an individual earns NZ\$55,981 and above per annum.

Dates (based on the 2012 tax year)

1 April 2011

– Beginning of the New Zealand tax year

28 August 2011

– Due date for payment of 1st instalment of 2012 provisional tax

15 January 2012

– Due date for payment of 2nd instalment of 2012 provisional tax

31 March 2012

– End of the New Zealand tax year

7 May 2012

– Due date for payment of 3rd instalment of 2012 provisional tax

31 March 2013

– Due date for filing 2012 year tax return (if on a tax agency list; otherwise it is 7 July 2012)

7 April 2013

– Due date for 2012 terminal tax (if on a tax agency list; otherwise it is 7 February 2013)

Double tax agreements

New Zealand has agreements with the following countries:

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

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Provisional tax and Use of Money Interest

- Provisional tax is an advance payment of income tax on account of an individual's expected tax liability for that year. Individuals are provisional taxpayers if they have NZ\$2,500 or more tax payable at the end of the income year after credits for tax already paid (e.g. PAYE) have been recognised.
- Provisional tax is generally due in 3 instalments on 28 August, 15 January and 7 May.
- The Inland Revenue may charge Use of Money Interest (and late payment penalties) if insufficient provisional tax is paid during the income year or provisional tax is paid late.

If you receive income from which no New Zealand tax is deducted, we recommend you seek further advice on your provisional tax obligations.

Employee share schemes

New Zealand tax residents are liable to pay New Zealand income tax on benefits arising under employee share purchase or option schemes. This is regardless of when the options may have been granted. If you are, or have been, a member of an employee share scheme there may be New Zealand tax implications. We recommend you seek professional advice to ascertain whether these rules will apply to you.

Rental properties⁵

Rental income from properties located in New Zealand or overseas may be subject to New Zealand tax (subject to transitional resident status). If you have a rental property in an overseas jurisdiction, we recommend you seek professional advice in relation to how your rental property will be taxed in New Zealand.

Non-resident withholding tax (NRWT)⁵

If you are paying interest to a non-resident bank (e.g. via mortgage payments on a property located overseas), you may have an obligation to withhold tax (NRWT) on the interest paid to the non-resident bank.

We recommend you seek professional advice if you believe this rule may apply to you. To alleviate the NRWT cost it may be possible to enter into the approved issuer levy regime in respect of the interest payments made on your foreign mortgage. Please contact your tax advisor for further information.

Capital gains

New Zealand does not have a comprehensive capital tax regime although some capital gains are effectively taxed through regimes such as the FIF regime (this is discussed below).

Deductions

No deductions are available against employment income other than tax return preparation costs or premiums paid for loss of earnings insurance.

Rebates

- You may claim a rebate against charitable donations to New Zealand charities
- Expenses up to a maximum of \$940 for childcare and housekeeper may qualify for a rebate. The maximum rebate is \$310.

Taxation of foreign investments

New Zealand has certain regimes that tax individuals on an accrual basis. This means that income does not always have to be received before it is taxed.

These rules are complex and it is strongly recommended that professional advice be sought if you have any of the following interests.

Foreign investment funds (FIFs)⁵

The FIF regime taxes foreign investments held by New Zealand residents, on a deemed value or accrual basis. This means foreign exchange gains and capital gains arising in respect of a FIF interest are taxed on an unrealised basis each year.

Interests in the following investments may be subject to these rules:

- Shares in foreign companies
- Foreign life insurance policies
- Foreign unit trusts
- Foreign superannuation or pension schemes

Financial arrangements (FAs)⁵

This regime applies to investments such as offshore fixed interest securities, foreign bank accounts, bonds or foreign currency denominated loans. These types of investments are called 'financial arrangements'.

The effect of the FA regime is that New Zealand tax is payable on income from these investments on an accrual basis. As the amounts must be converted into New Zealand dollars, gains or losses resulting from exchange rate movements are also taxable. There are also exemptions that may apply to exclude certain financial arrangements from the FA regime.

Trusts

If you are a trustee, beneficiary or a settlor of a trust there may be New Zealand tax implications.

Global Employer Services

Deloitte has specialist Global Employer Services teams in Auckland and Wellington that advise international assignees on tax related matters for individuals who are new to New Zealand. For more information on any of these issues please contact a member of the team listed below.

⁵ **Transitional residents are not affected by these regimes in the first 48 months from arrival**