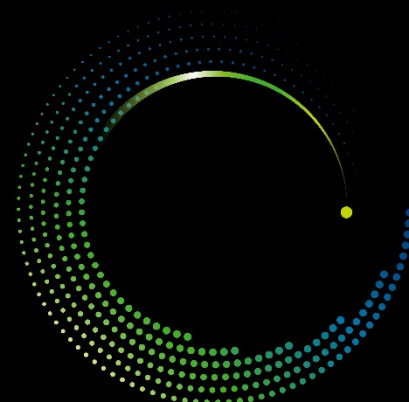


International Tax New Zealand Highlights 2023

Updated January 2023



Recent developments

For the latest tax developments relating to New Zealand, see [Deloitte tax@hand](#).

Investment basics

Currency: New Zealand Dollar (NZD)

Foreign exchange control: There are no restrictions on the import or export of capital.

Accounting principles/financial statements: All Financial Market Conduct reporting entities, public entities, large companies, and large overseas companies (as defined) that meet certain thresholds must prepare general purpose financial statements. The External Reporting Board (XRB) determines which accounting, auditing, and assurance standards apply to which entities or sectors.

Entities that do not meet the Financial Reporting Act thresholds (generally small to medium-sized enterprises) are not required to prepare general purpose financial statements but must, for tax purposes, prepare special purpose financial statements to a minimum standard, as specified by the Inland Revenue.

Principal business entities: These are the public and private limited liability company, partnership, limited partnership, trust, sole proprietorship, and branch of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	28%
Branch tax rate	28%
Capital gains tax rate	N/A (see "Capital gains," below)

Residence: A company is resident if it is incorporated in New Zealand, its head office or center of management is in New Zealand, or control of the company by its directors is exercised in New Zealand.

Basis: Resident companies are taxed on worldwide income; nonresident companies are taxed only on New Zealand-source income. As a general rule, tax rates and tax treatment are the same for all companies, including branches of foreign companies. Certain companies may elect look-through company tax status, and certain companies and collective

investment vehicles can choose to be taxed as a portfolio investment entity (PIE). Branches are taxed in the same way as subsidiaries.

Taxable income: Taxable income is broadly calculated by subtracting allowable deductions from assessable income and allowing for any available tax losses. Assessable income from carrying on a business normally includes gross income from the sale of goods, the provision of services, most dividends, interest, and royalties. Deductions generally are allowed for expenses or losses incurred in deriving assessable income or in the course of carrying on a business for the purpose of deriving assessable income for any income year. Deductions (including interest) in relation to residential rental properties may be limited.

Rate: 28%

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: New Zealand operates a full imputation system, under which the payment of company tax is imputed to shareholders and the shareholders are relieved of their tax liability to the extent profits have been taxed at the corporate level. Dividends received by a resident company from a wholly owned resident group company generally are exempt. Foreign-source dividends received by resident companies generally are exempt from income tax, subject to some exceptions.

Capital gains: There is no capital gains tax regime in New Zealand, although certain gains arising from profit-making schemes or undertakings and the disposal of personal property purchased with the intention of resale or for a business of dealing are taxable. Gains on the sale and transfer of land may be taxable in certain cases. Additionally, gains from the sale of certain types of residential land sold within five or 10 years (depending on the date of purchase) may be taxable (referred to as the “bright-line test”).

Losses: Losses may be carried forward indefinitely, subject to a 49% continuity of ultimate share ownership requirement. If the 49% shareholder continuity requirement is not met, a business continuity test operates, which allows losses to be carried forward unless there is a “major change” in the business within five years following a change in the ownership. Losses may be offset against the profits of other group companies where the companies are at least 66% commonly owned at all relevant times. It generally is possible to carry forward part-year losses (which may occur if there is a lapse in shareholder continuity during the year). Start-up companies with losses arising from research and development (R&D) expenditure may be eligible for a tax credit upon meeting certain eligibility criteria.

Foreign tax relief: A foreign tax credit may be allowed against New Zealand income tax applicable to foreign income, but the credit is limited to the lesser of the actual foreign tax paid on the foreign income or the New Zealand tax applicable to that income.

Participation exemption: There is no participation exemption regime.

Holding company regime: There is no holding company regime.

Incentives: An R&D tax incentive scheme operates as an incentive to increase the amount of R&D performed in New Zealand. The scheme provides for a 15% tax credit in relation to eligible expenditure (minimum spend of NZD 50,000 with a cap of NZD 120 million).

Tax legislation also provides some industry-specific concessions and rules for farming, forestry, environmental protection, venture capital, film production, and R&D-intensive start-up companies.

Compliance for corporations

Tax year: The standard tax year runs from 1 April to the following 31 March, although a company can apply to the Inland Revenue to have a nonstandard balance date to align accounting and tax year ends.

Consolidated returns: The consolidation regime allows a wholly owned group of companies to be taxed as if they were a single company. Consolidation allows companies to file a single income tax return to simplify the tax affairs of the group.

Filing and payment: The due date for filing the annual income tax returns for a company with a standard balance date (31 March) and no filing extension is 7 July. For a company with a late balance date (1 April–30 September), the due date is the seventh day of the fourth month after the end of the company's corresponding income year. An extension to file tax returns may be granted to companies that are registered with a tax agent.

The tax liability of a company generally is paid in three provisional tax installments during the year in which the income is earned. The date on which installments are due depends on the balance date. The amount payable depends on the taxpayer's income level in the previous year. For provisional taxpayers, payments generally must be made on the 28th day of the fifth, ninth, and 13th months after the start of the income year. Any surplus tax that remains payable after offsetting provisional tax paid during the year (if any) is "terminal tax" and must be paid by the seventh day of the relevant month, determined by reference to the year end of the company. An extension for payment of terminal tax is provided to taxpayers registered with a tax agent.

Penalties: Penalties are imposed for late payment of taxes and late filing of returns. Shortfall penalties can be imposed as a percentage of a tax shortfall resulting from certain actions or behavior of taxpayers (e.g., for taking an unacceptable tax position, gross carelessness, or for not taking reasonable care). Criminal penalties can be imposed for absolute liability, "knowledge offenses," aiding and abetting, evasion, and obstruction offenses.

While not considered a penalty, a two-way "use of money interest" (UOMI) regime operates for under- and overpayments of tax, with rates that are designed to encourage taxpayers to make tax payments on time. New Zealand also operates a regime called "tax pooling." Tax pooling clients pay their provisional tax to registered intermediaries who then deposit payments into an account with Inland Revenue. The payments are held by Inland Revenue until intermediaries advise where to transfer them. Tax pooling allows taxpayers that have under- and overpaid tax to purchase/sell tax to one another and benefit from more favorable interest rates than applied under the UOMI regime.

Rulings: The Commissioner of Inland Revenue may issue a binding ruling in respect of the application of tax legislation and how tax laws may apply to a particular arrangement. There are five types of ruling: public, private, product, status, and short-process.

Individual taxation

Rates		
Individual income tax rate	Taxable income (NZD)	Rate
	0–14,000	10.5%
	14,001–48,000	17.5%
	48,001–70,000	30%
	70,001–180,000	33%
	Over 180,000	39%
Capital gains tax rate		N/A (see "Capital gains," below)

Residence: An individual is resident for New Zealand tax purposes if they have a permanent place of abode in New Zealand or have been in New Zealand for more than 183 days in any 12-month period. An individual who is a first-time resident (or who is a returning New Zealander who has been nonresident for more than 10 years) may qualify to be a transitional resident. In that case, the individual generally will be taxable on only their New Zealand-source income and worldwide income from personal services for 48 months from the date they become resident (the start date may vary).

Basis: New Zealand resident individuals are taxed on their worldwide income, with a foreign tax credit available for foreign income tax paid. The amount of the foreign tax credit available is the lesser of New Zealand income tax payable or the amount of foreign tax paid. Nonresidents of New Zealand are taxed only on New Zealand-source income.

Taxable income: Tax is deducted at source for wage and salary earners. Most individuals are subject to Pay-As-You-Earn (PAYE) deductions from their employment income and resident withholding taxes on dividends and interest and are subject to an automatic end-of-year assessment process, meaning annual income tax returns are not required, if no other income is earned. Taxpayers with other types of income, such as business and rental income, foreign income, foreign investment fund income, income from trusts, certain capital gains, and passive income, are required to submit annual income tax returns. Joint returns are not permitted.

Rates: Progressive rates up to 39% apply. There is no tax-free threshold.

Capital gains: There is no capital gains tax regime in New Zealand. However, certain gains arising from profit-making schemes or undertakings or the disposal of personal property purchased with the intention of resale or for a business dealing in that property are taxable. Gains on the sale and transfer of land may be taxable in certain circumstances (including land acquired with the purpose or intention of disposal). Additionally, gains from the sale of certain types of residential property that is sold within the five or 10-year bright-line period may be taxable.

Deductions and allowances: Wage and salary earners generally cannot claim deductions against employment income. A tax credit is claimable for qualifying charitable donations up to certain limits. For partners of partnerships and sole traders not registered as companies (i.e., the self-employed), the same deductions apply as for corporate tax, except that fringe benefits tax (FBT) does not apply to benefits provided to the proprietor and the costs of providing the benefits are unlikely to be deductible. Deductions (including interest) in relation to residential rental properties may be limited.

Foreign tax relief: A foreign tax credit may be allowed against New Zealand income tax applicable to foreign income, but the credit is limited to the lesser of the actual foreign tax paid on the foreign income or the New Zealand tax applicable to that income.

Compliance for individuals

Tax year: 1 April to 31 March

Filing status: See “Taxable income,” above.

Filing and payment: Individuals in receipt only of income subject to tax deduction at source and who are subject to an automatic assessment process will receive any refund due automatically or an assessment if there is tax to pay. Following each 31 March, tax refunds are automatically paid by Inland Revenue from 20 May each year, with any tax payable due on 7 February following the previous 31 March. Individuals who are required to file a tax return must do so by 7 July each year or by the following 31 March if a tax agent’s extension of time applies. Terminal tax payments are due by 7 February each year (or 7 April if a tax agent’s extension of time applies). Individuals can also be liable to pay provisional tax (see “Filing and payment” under “Compliance for corporations,” above).

Penalties: A range of penalties and UOMI may apply for failure to comply with tax laws. UOMI is generally payable on under- and overpayments of tax, at rates that encourage taxpayers to pay taxes on time.

Rulings: See “Rulings” under “Compliance for corporations,” above. The “short-process” ruling approach is relevant for eligible persons with annual gross income of less than NZD 20 million.

Withholding tax

Rates				
Type of payment	Residents (RWT)		Nonresidents (NRWT)	
	Company	Individual	Company	Individual
Dividends	33%	33%	0%/15%/30%	0%/15%/30%
Interest	28%/33%/39%/45%	10.5%/17.5%/30%/33%/39%/45%	0%/15%	0%/15%
Royalties	0%	0%	15%	15%
Fees for technical services	0%	0%	0%	0%

Dividends: Dividends paid by New Zealand resident companies from profits already taxed at the corporate level may carry imputation credits for the tax paid. Dividends are referred to as “fully imputed,” “partially imputed,” or “unimputed,” depending on the extent to which a company has chosen to use its imputation credits. Dividends paid to a nonresident are subject to a 30% nonresident withholding tax (NRWT) to the extent they are not fully imputed. Fully imputed dividends are subject to a 0% NRWT rate where the nonresident has a 10% or more voting interest in the company. In most other cases, the NRWT rate will be 15%. Rates may be subject to further reduction under an applicable tax treaty. To the extent a dividend is imputed and paid to a nonresident with a less than 10% voting interest, it may be eligible for the tax credits for supplementary dividend regime.

Resident withholding tax (RWT) may be required to be withheld at source from certain types of dividend payments made to New Zealand resident taxpayers, at a rate of up to 33% (depending on the level of imputation credits attached).

Interest: Interest paid to a nonresident is subject to a 15% NRWT, which may be subject to further reduction under an applicable tax treaty. New Zealand also has an approved issuer levy (AIL) regime that allows an approved issuer to pay a 2% levy so that NRWT is applied at a 0% rate on registered securities where the parties are not associated.

RWT may be required to be withheld at source from certain types of interest payments made to New Zealand resident taxpayers. The rates are 10.5%, 17.5%, 30%, 33%, and 39% for resident individuals. The rates are 28%, 33%, and 39% for resident companies. For both individuals and companies, a 45% rate applies if a taxpayer has not provided the payer with an IRD (tax) number.

Royalties: Royalties paid to a nonresident are subject to a 15% NRWT, which may be subject to further reduction under an applicable tax treaty.

Fees for technical services: New Zealand generally does not levy withholding tax on payments of technical service fees, unless such services fall within the definition of royalties.

Branch remittance tax: There is no branch remittance tax.

Other: Payments made to a nonresident for services that have been physically performed in New Zealand, or for the use of personal property in New Zealand, are subject to the 15% nonresident contractors' tax (NRCT), withheld at source

(subject to exemptions). Payments of management fees to an associated company offshore often will attract an NRCT liability if offshore staff are physically performing management services in New Zealand.

Payments to “offshore persons” in relation to the sale and purchase of residential property subject to the bright-line test (see “Capital gains” under “Corporate taxation,” above) may be subject to the residential land withholding tax (RLWT).

Anti-avoidance rules

Transfer pricing: New Zealand’s transfer pricing rules are set out in legislation that aligns with the 2017 OECD transfer pricing guidelines (proposed legislation that is currently before parliament and should be enacted by April 2023 would align the rules with the 2022 OECD transfer pricing guidelines with effect as from 20 January 2022 (with transitional provisions)). The general policy intention is that, when a taxpayer correctly applies the OECD transfer pricing guidelines and demonstrates through documentation that its transfer pricing positions satisfy the arm’s length principle, these tax positions also should meet the requirements of New Zealand’s transfer pricing rules.

Generally, for branch operations, the Inland Revenue does not follow the OECD authorized approach for the attribution of profits to a permanent establishment, on the grounds that the updated article 7 of the OECD model tax treaty has not been incorporated into any of New Zealand’s tax treaties.

Advance pricing agreements (APAs) are possible. Taxpayers can enter into unilateral or bilateral APAs to minimize transfer pricing risk.

New Zealand-headquartered taxpayers that have global revenue in excess of EUR 750 million are required to comply with CbC reporting (based on BEPS action 13). New Zealand subsidiaries of foreign-owned multinational groups are not required to provide a notification to Inland Revenue.

A restricted transfer pricing rule applies to inbound cross-border related party debt between a nonresident lender and New Zealand borrower. This requires a New Zealand borrower with NZD 10 million or more in aggregate cross-border related party borrowings to consider related party financing arrangements and capital structures against certain threshold criteria.

Interest deduction limitations: Interest deductions claimed against New Zealand assessable income for inbound and outbound companies are limited where any entity’s debt exceeds a safe harbor debt-to-assets ratio (debt percentage). For inbound companies, interest will be apportioned (and the deductible portion will be limited) if the debt percentage of the New Zealand group is more than 60% and exceeds 110% of the debt percentage of the worldwide group. For outbound companies, interest will be apportioned if the debt percentage of the New Zealand group is more than 75% and exceeds 110% of the debt percentage of the worldwide group.

Controlled foreign companies: Certain foreign income may be attributed to New Zealand resident shareholders. A foreign company is a CFC if a group of five or fewer New Zealand residents has a control interest of over 50% in the company or, in certain circumstances, where a single New Zealand resident has a control interest of 40% or more or where there is a group of five or fewer New Zealand residents that effectively control the company’s affairs.

New Zealand’s CFC rules encompass an active income exemption, a limited exemption for certain Australian CFCs, a foreign dividend exemption, and a comprehensive interest allocation regime.

Broadly, a New Zealand resident with an income interest of 10% or more in a CFC has attributed CFC income from that CFC where the active business test is not met, or the Australian exemption is not available. Only certain types of income (generally passive income) derived by the CFC are attributed.

Hybrids: Domestic rules apply to counter hybrid and branch mismatches that exploit differences in the tax treatment of an instrument, entity, or branch under the laws of two or more countries to eliminate, defer, or reduce income tax.

Economic substance requirements: New Zealand does not have any specific economic substance requirements, but the general anti-avoidance rule (GAAR) may be used by Inland Revenue to challenge structures and override a tax treaty to deny treaty benefits.

Disclosure requirements: Certain taxpayers in New Zealand are required to keep and retain adequate records. While there are no legislative requirements for a taxpayer to prepare, keep, or retain transfer pricing documentation, it could be used as evidence of compliance with the arm's length principle. As the burden of proof for transfer pricing matters rests with the taxpayer, transfer pricing documentation is required if taxpayers want to have a defense against penalties in the event of a transfer pricing issue. There are other disclosure requirements under certain regimes (e.g., a person with an income interest of 10% or more in a CFC must make an electronic disclosure of the interest, and taxpayers are required to make a BEPS disclosure if they have a New Zealand group debt percentage of 40% or higher, have a hybrid or mismatch arrangement, or are subject to the restricted transfer pricing rules).

Exit tax: New Zealand does not have an exit tax, although company distributions on liquidation or emigration (i.e., change of jurisdiction) can have tax consequences in certain situations.

General anti-avoidance rule: New Zealand's tax legislation contains specific anti-avoidance provisions that are supplemented by a GAAR. The GAAR operates as a "back-stop" to protect New Zealand's tax base and may apply to arrangements that have the purpose or effect of avoiding tax.

Other: Foreign investment fund (FIF) rules apply to investments in foreign entities where the control and income interests of the New Zealand resident shareholders are lower than the CFC thresholds. Different methods are available to calculate attributable FIF income, depending on whether the investor has a portfolio (less than 10%) or a nonportfolio (between 10% and 50%) interest in the FIF. The active income exemption for CFCs applies to nonportfolio FIFs.

A permanent establishment anti-avoidance rule applies to large multinationals with more than EUR 750 million of consolidated global turnover that structure to avoid having a permanent establishment in New Zealand.

Goods and services tax

Rates	
Standard rate	15%
Reduced rate	0%

Taxable transactions: Goods and services tax (GST) is a broad-based tax applied to the total value of goods and services, whether at an intermediate or final stage of supply, when the registered person supplies these goods or services in the course or furtherance of their taxable activities. GST also applies to imported goods and, in some cases, imported services.

Some goods and services are subject to GST but at a rate of 0% (zero-rated). Exports are subject to GST, but at 0% (zero-rated), thereby ensuring that exporters can recover GST incurred on their costs. In addition, certain transfers of commercial land (and related assets) between GST-registered parties are zero-rated.

Certain supplies also are exempt from the GST rules (e.g., financial transactions, long-term residential property leases, and certain residential property sales). Additionally, sales of cryptocurrencies and cryptocurrency brokerage services are not subject to GST.

GST applies to services and intangibles (including digital downloads) supplied remotely by an offshore supplier to New Zealand resident consumers. Offshore suppliers of remote services to private consumers have a liability to register for New Zealand GST if supplies exceed the threshold of NZD 60,000 per year. There are special rules to consider for marketplaces.

GST also applies to supplies of distantly taxable goods (commonly referred to as “low value goods,” valued at NZD 1,000 or less) from offshore suppliers to New Zealand resident customers. Like remote services providers, low-value goods suppliers are required to register for New Zealand GST if supplies to New Zealand consumers exceed the threshold of NZD 60,000 per year. There are special rules to consider for marketplaces.

Entities that are registered for GST purposes generally may recover the GST paid on the inputs they have consumed in their taxable business operations.

Rates: The standard rate is 15% unless supplies are exempt or zero-rated.

Registration: GST registration is compulsory for businesses whose annual value of supplies made in New Zealand exceeds NZD 60,000. However, a person carrying on a business may register for GST on a voluntary basis if they do not satisfy the turnover threshold.

Filing and payment: GST returns must be filed monthly, bimonthly, or every six months by each registered person, depending on the annual value of the supplies made. Returns generally must be filed and GST paid by the 28th day of the month following the end of the taxable period. If the GST registered person has registered as a nonresident supplier under the remote services or low-value goods rules, GST returns are required to be filed quarterly.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: An employer may be required to contribute a percentage of an employee’s gross salary or wages to the KiwiSaver superannuation scheme, for employees that have opted into the scheme.

KiwiSaver is a voluntary, work-based savings scheme. The minimum employee contribution rate is 3% of gross pay (an employee also may contribute at prescribed percentages up to 10%). The minimum compulsory employer contribution rate is 3% of an employee’s gross pay; this contribution is subject to employer superannuation contribution tax (ESCT). The government also will contribute a “member tax credit” in relation to an employee member’s contribution over an annual period at a rate of NZD 0.50 for each NZD 1 contributed by the member, up to a maximum limit of NZD 521.43.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: Local authorities charge rates on land based on the official valuation of the land. The rates vary considerably from one locality to another. Rates collected are used to fund local city services, waste collection, local roads, and the provision of parks, community facilities, and activities.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: An employer is required to pay FBT on the value of fringe benefits (e.g., motor vehicles and low-interest loans) provided to its employees at either the single rate (63.93%), the alternate rate (49.25%), or attribution rates (between 11.73% and 63.93%). The applicable rate depends on whether the benefit must be attributed to a particular employee, is pooled, and which FBT return is being filed. FBT is paid either quarterly (with attribution rates being available in the fourth quarter) or annually, depending on the size of the employer.

Accident compensation premiums and road tax may be payable.

Tax treaties: The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for New Zealand on 1 October 2018. For information on New Zealand's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Inland Revenue

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