Grant Thornton

A New Zealand tax guide for inbound expatriates

April 2022

If you're moving to New Zealand, you will be subject to our comprehensive tax rules and work permit requirements. Liability to tax will be principally determined by your tax residence status and the source of relevant income.

This summary of New Zealand tax regimes has been specifically prepared for individuals relocating to New Zealand. It's a high-level introduction of New Zealand's tax rules that may apply to individuals coming to New Zealand. Should you have any queries or require any further information, please feel free to contact our tax specialists.

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Employment visas

Specific prearrival tax procedures do not exist in New Zealand. A visa or permit to work in New Zealand is also not required if you are:

- a New Zealand citizen or hold a New Zealand residence permit; or
- an Australian citizen, or an Australian resident with a current permanent residence visa or a current resident return visa.

However, work permits may be required in some situations. If you're unsure about your employment visa status, be sure to seek advice to clarify this.

Residence

If you are physically present in New Zealand for more than 183 days in any 12-month period, you will automatically become tax resident of New Zealand from your first day in the country within that relevant 12-month reference period. Put simply, this means tax residence status applies retrospectively.

Example: Sandra visits New Zealand on holiday between 1 April – 10 April 2021 and decides she would like to move here. After carefully planning her move, she relocates to New Zealand on 30 June 2021 and remains in the country from this point onward. Sandra will be considered a New Zealand tax resident from 1 April 2021 under the day count test. This is because her residency is backdated to the first of the 183 days she spent in New Zealand in a 12-month period.

For the purpose of the day count test, part days count as whole days. Individuals who have a New Zealand permanent place of abode (PPOA) will also be treated as New Zealand tax residents. The PPOA test assesses your connections to New Zealand, and specifically any residential housing/ accommodation arrangements you have here. Exposure to New Zealand tax may be modified under the terms of relevant international tax treaties.

If you're a tax resident, you will generally be subject to tax on your worldwide income.

A person who becomes tax resident may also qualify as a transitional tax resident if they have not previously been a New Zealand tax resident or have been non-resident for at least 10 consecutive years; this a one-time only relief. Transitional residents qualify for specific income tax exemptions for foreign (non-New Zealand) sourced income. For more detail, refer to 'Expatriate concessions' on p4.

To become a tax non-resident, you must:

- be absent from New Zealand for more than 325 days in a twelve-month period following departure and;
- lose your New Zealand PPOA status.

Dual residence

Under certain circumstances expatriates will become tax resident in New Zealand as well as in their home country under prevailing domestic tax laws. As a dual tax resident, where there is a double tax treaty in place, the taxing rights of each country will be determined by reference to the treaty.

New Zealand currently has a network of 40 Double Taxation Agreements (DTA) in force with the following main trading and investment partners.

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

Liability to tax

Tax residents of New Zealand are taxed on worldwide income, whereas tax non-residents are generally taxed on New Zealand source income only. These general rules may be modified by certain domestic concessions and tax treaty provisions depending on your individual circumstances. If you meet the transitional resident criteria, you are also generally eligible for 48 months of relief from New Zealand tax on foreign passive income (following the date that your tax residence is confirmed).

Expatriate concessions: Transitional residence

Transitional residents are exempt from New Zealand tax on their foreign-source income apart from any foreign employment income or personal services income for services performed during their transitional resident exemption period. The transitional residence period runs for 48 months from the end of the month in which their residence is confirmed.

Example: John arrives in New Zealand on 1 January 2021 and acquires a rented property to live in on 15 January 2021. His transitional residence period will end on 31 January 2025.

The transitional resident exemption gives you significant tax planning opportunities and is intended to give you time to organise your affairs before becoming subject to tax on your worldwide income. We encourage expatriates to get advice in advance to ensure planning opportunities are maximised and calculated correctly during this period. Transitional residents who have offshore losses can elect out of the foreign income exemption - however, this means they are then no longer able to benefit from the concession in the future. Again, if you're considering this, be sure to seek specialist advice.

New Zealand's tax system

Tax year

The New Zealand financial year runs from 1 April to 31 March.

Tax returns and compliance

New Zealand operates a self-assessment regime. Taxpayers file an annual tax return and self-assess the tax liability for the year. The filing date for an individual's tax return is 7 July following the 31 March year-end balance date. If you use a recognised tax agent (eg, an accounting firm or tax adviser), the filing due date may be extended to the following 31 March.

Income from employment

Taxable income from employment includes salaries, wages, bonuses, lump sum payments, the benefit of employer-provided accommodation, and benefits arising under employment-related share purchase schemes and option schemes. Certain payments to or on behalf of employees may qualify for tax-free treatment - for example, if you receive payments as compensation for certain categories of work-related expenditure such as business travel.

Social Security contributions

New Zealand does not operate a social security payment system as such, however both employers and employees contribute to the Accident and Compensation Corporation (ACC). ACC is a no-fault Government run accident insurance scheme. ACC covers employees who have an accident (whether at work or home) and allows for both medical assistance and compensation for up to 80% of an employee's usual earnings while they are incapacitated. The individual earner contributions are collected from the employee through New Zealand's pay as you earn (PAYE) system. The rate and threshold for ACC is reviewed each year. For the 2022 income tax year, the ACC individual earner's levy rate is 1.39% of income, with the contribution capped at $1,819.66. For the 2023 income tax year the ACC earner's levy rate is 1.46% of income, with the contribution capped at $1,993.54.

Source of employment

New Zealand has very broad sourcing rules which you need to consider carefully. Usually, employment income is deemed to be sourced in the country in which the employment services are performed. For New Zealand tax purposes, factors such as where the employment contract is made and where the payment is made from are relevant in determining the source of the employment income. Where a treaty employment article applies, the source is generally where the services are performed.

Benefits (in kind)

Employee fringe benefits are subject to fringe benefit tax (FBT). This is imposed on employers and not on employees. Common examples of benefits subject to FBT include the provision of motor vehicles available for private use, low-interest loans, health insurance, overseas superannuation contributions and discounted goods.

Relief for foreign taxes

Credit is available to New Zealand tax residents for foreign tax paid on foreign-sourced income. In general terms, the tax credit recognised in New Zealand will be limited to the lesser of the foreign tax paid or the New Zealand tax applicable on the foreign income. Double tax treaties may limit the amount of overseas tax paid on some sources of income.

Example: Margot's marginal rate of New Zealand tax is 33%. She is no longer eligible for the transitional residence exemption and received bank interest on her French bank account. The interest has had French withholding tax deducted converted to NZ$10 which represents 10% of the interest. The $10 withholding tax is deducted from the New Zealand tax payable on this income of $33, leaving a balance due of $23.

Deductions against income

General tax deductions against employment income are limited to the cost of preparing the annual tax return and income protection insurance premiums. Deductions for other costs incurred by employees in deriving employment income are specifically prohibited. Employers may compensate employees on a tax-free basis for certain types of expenditure incurred by employees in undertaking their employment duties. Common examples of expenditure that might be reimbursed include travel and entertainment for business purposes, or business telephone costs.

Personal allowances

There are no personal allowances available in New Zealand. A tax credit may be claimed by individuals for gifts of money to approved New Zealand organisations.

Income tax rates and sample income tax calculation - 2021/22 (Year to 31 March 2022)
Individuals are taxed at progressive rates according to total taxable income. Rates for the 2021/22 income tax year are:

Total income (NZD)	Marginal rate
0 to 14,000	10.5%
14,001 to 48,000	17.5%
48,001 to 70,000	30%
70,001 – 180,000	33%
180,001 or more	39%

	NZ$
Base employment income	120,000
Housing allowance	50,000
Schooling costs	25,000
Gross income	195,000
Less	
Income protection insurance	(4,000)
Tax return preparation fees	(1,000)
Total deductions	(5,000)
Taxable income	190,000
Tax at 10.5% first 14,000	1,470
Tax at 17.5% next 34,000	5,950
Tax at 30% next 22,000	6,600
Tax at 33% next 110,000	36,300
Tax at 39% final 10,000	3,900
Tax impost	**$54,220**

In this example there will be an additional ACC earner levy of $1,819.66 – see Social Security contributions on p5.

Other New Zealand taxes

Capital gains tax

New Zealand does not have a capital gains tax regime as such, although some capital receipts may be treated as taxable income. Certain accrued/unrealised gains may also be taxable. Specific taxing regimes apply to tax gains from particular property disposals, and gains arising from financial instruments such as deposits and bonds, and gains on certain foreign shareholdings, retirement schemes and life insurance investments.

The bright-line test was introduced for properties bought and sold from 1 October 2015. This applies to residential property acquired and disposed of within 10 years (for properties acquired between 29 March 2018 and 26 March 2021, the time limit was five years). Gains and losses on residential properties that fall within the bright-line test period will be subject to New Zealand income tax, with the exception of the main family home. Apportionment rules may apply where the property has not been used solely as the main home during its ownership period. We recommend seeking professional legal and tax advice in the event of property acquisition and disposal.

Example: Anna bought a holiday home in 2019 and decided to sell the property two years later and achieved a gain on sale of $25,000. The property disposal falls within the bright-line test period and the gain of $25,000 will be subject to income tax.

Inheritance, estate wealth & gift taxes

New Zealand does not impose inheritance tax, estate duties, gift duties or death duties. There is no wealth tax in New Zealand.

Investment income

Passive income flows such as interest and dividends are taxable at the individual's marginal income tax rate. Special rules may apply to foreign shareholdings where the aggregate value of these exceed NZ$50,000 or if an individual holds a shareholding of 10% or more in a company.

Local taxes

There are no local taxes imposed on the income of individuals in New Zealand.

Real estate tax

There are no real estate taxes in New Zealand. Property rates are levied by regional governments to cover local infrastructure, logistical and management costs.

Currently, only New Zealand citizens or permanent residents are eligible to buy properties in New Zealand. Additional concessions can apply in the case of Australian and Singaporean citizens. Special exemptions can be applied for if certain criteria are met.

When to seek advice

Special tax rules are likely to apply if you:

- hold shares in foreign companies or units in foreign unit trusts
- are a beneficiary, trustee or settlor of a foreign trust
- have foreign currency bank accounts or loans
- have an overseas rental property
- operate an overseas based business or farm
- have an interest in a foreign pension/superannuation fund
- are planning to transfer a foreign pension into a KiwiSaver account
- are the beneficiary of a foreign testamentary trust
- are the beneficiary of a foreign life insurance policy
- invest in cryptocurrency or other forms of crypto assets
- are a partner in a foreign partnership or other form of joint business venture
- provide services as a contractor, either to New Zealand based or foreign customers

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