



New Zealand

Introduction

Individuals are subject to income tax on their worldwide income while they are a tax-resident in New Zealand.

Contact

Murray Sarelius
KPMG in New Zealand

Tax Partner

T: +64 9 363 3458

E: mvsarelius@kpmg.co.nz

Key messages

Extended business travelers are likely to be taxed on employment income relating to their New Zealand workdays, unless relief is obtained under New Zealand domestic legislation or an applicable double tax agreement.

Income tax is imposed on income derived by individuals at marginal tax rates that are set each year.

Residents are taxed on worldwide income. Transitional residents are taxed on their New Zealand-sourced income and any employment income derived overseas. Nonresidents are taxed on their New Zealand-sourced income only.

Benefits-in-kind are subject to fringe benefits tax, which is imposed on the employer.

Income tax

Liability for income tax

A person's liability for New Zealand tax is determined by residence status. A person can be a resident, a transitional resident, or a nonresident for tax purposes.

A resident of New Zealand generally refers to an individual who is present in New Zealand for more than 183 days in any 12-month period or who has a permanent place of abode in New Zealand. The general rule is that a person who is a resident of New Zealand is assessable on worldwide income.

A transitional resident is a new tax resident of New Zealand who has been nonresident for 10 years prior to arriving in or returning to New Zealand.

A nonresident of New Zealand is generally someone who spends 183 days or less in any 12-month period in New Zealand and does not have a permanent place of abode in New Zealand.

Nonresidents and transitional residents are generally assessable on income derived directly or indirectly from sources in New Zealand. Transitional residents are also taxable on foreign-sourced employment income.

Extended business travelers are likely to be considered nonresidents of New Zealand for tax purposes depending on their personal circumstances.

Definition of source

Employment income is generally treated as New Zealand-sourced compensation where the individual performs the services while physically located in New Zealand.

Tax trigger points

Employment income derived in New Zealand may not be taxable if the employee is present in New Zealand for 92 days or less in a tax year, performing services for or on behalf of a person who is not resident in New Zealand, and the income derived is taxed in the country in which the person is resident.

Types of taxable income

For extended business travelers who are nonresidents of New Zealand and do not qualify for the above exemptions or relief, the income that is generally taxed in New Zealand includes remuneration for New Zealand-based employment and New Zealand-sourced income such as interest or dividends from New Zealand companies.

Fringe benefits, broadly noncash employment income, are subject to fringe benefits tax, which is levied on the employer.

Social security

Liability for social security

New Zealand has a social security system funded through income taxes. This scheme offers a number of benefits and is aimed at assisting people.

Accident compensation is another benefit under the welfare system, and this is funded primarily by employers and employees. The employer levy is determined by its industry classification, while the employee levy is charged at a flat rate.

The rates for the employee levy are 2.04 percent on earnings up to 110,018 New Zealand dollars (NZD) for the 2011 and 2012 tax years.

Superannuation contributions

There is no compulsory superannuation saving in New Zealand. There is, however, a government-run voluntary workplace savings scheme called KiwiSaver, which is available to any resident employers, employers who carry on business from a fixed establishment in New Zealand, or nonresident employers who elect into the regime. Compulsory employer contributions are currently fixed at 2 percent of gross income.

Compliance obligations

Employee compliance obligations

An income tax return is required for each tax year (April 1 to March 31).

Tax returns must be filed by nonresidents who derive any New Zealand-sourced income (other than New Zealand dividend, interest income, or royalties, which are subject to final withholding tax).

Tax returns are due by July 7 following the tax year-end. Tax agents can obtain an extension to the following March 31.

Employer reporting and withholding requirements

PAYE withholding from remuneration

Withholdings from employment income are covered under the Pay-As-You-Earn (PAYE) system. If an individual is taxable on employment income, the employer has a PAYE withholding requirement. This could include situations where an employer is nonresident and no exemptions or relief applies, such as the 92-day and 183-day exemptions.

Nonresident contractors tax on contract payments

A nonresident employer may be considered a nonresident contractor where any employee who is present in New Zealand for more than 92 days in a tax year is performing services on behalf of the nonresident employer for another entity in New Zealand, and payments are made by the New Zealand entity to the nonresident employer on those services.

Such payments may be subject to a withholding tax known as nonresident contractors tax (NRCT), unless an exemption certificate is held by the nonresident entity.

An exemption certificate may be issued by the Inland Revenue Department (IRD) to remove this withholding obligation if the IRD is satisfied that, for the income sourced in New Zealand, there is no income tax liability pursuant to a double tax treaty.

Other

Work permit/visa requirements

Depending on the country of origin, an individual may need to apply for a visa prior to entry into New Zealand. In addition, an individual may need to obtain a work visa or work permit before being able to work in New Zealand.

Double taxation treaties

In addition to New Zealand's domestic arrangements that provide relief from international double taxation, New Zealand has entered into double taxation treaties with 35 countries to prevent double taxation and allow cooperation between New Zealand and overseas tax authorities in enforcing their respective tax laws.

Double tax treaty relief

Relief from New Zealand taxation may also be available under a double tax agreement. Generally, New Zealand's double tax agreements provide relief from tax on employment income if the employee is present in New Zealand for 183 days or less, is employed by a nonresident entity, and the remuneration is not borne by a permanent establishment in New Zealand.

Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would be dependent on the type of services performed, the functions and level of authority of the employee, and the specific terms of any applicable double tax treaty.

Indirect taxes

Goods and services tax (GST) is applicable at 15 percent on taxable supplies. GST registration may be required in some circumstances.

Transfer pricing

New Zealand has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction. This would also be dependent on the nature and complexity of the services performed.

Local data privacy requirements

New Zealand has data privacy laws.

Non deductible costs for assignees

A person is declined a deduction for an amount of expenditure or loss to the extent to which it is incurred in deriving income from employment. Some expenditures can be reimbursed tax-free. Generally, it is necessary to demonstrate that the expenditure being reimbursed was an additional expenditure resulting from employment duties or is of the type that the IRD has prescribed as relocation expenses.

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