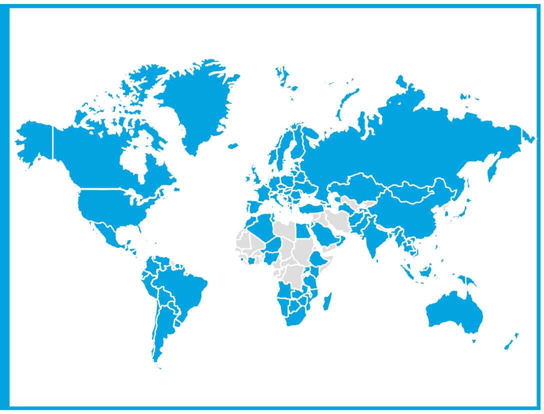
EXPATRIATES
New Zealand
Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

New Zealand Tax Residents

New Zealand tax residents are liable for income tax on their worldwide income.

Where an outbound expatriate remains a New Zealand tax resident, they will be required to return their worldwide income and file an annual income tax return.

Tax relief may be provided to a tax resident under the relevant Double Tax Agreement between New Zealand and the Host Country.

Where the host country has the primary right to tax the income a foreign tax credit (“FTC”) may be available in respect of any foreign tax paid on income that is also liable to tax in New Zealand.

The FTC is limited to the smaller of the amount of tax actually paid in the foreign jurisdiction or the New Zealand tax payable on the income.

Foreign Tax Residents

An outbound expatriate who breaks their tax residence and becomes a non-resident for New Zealand tax purposes will be liable to tax on his/her New Zealand-sourced income only.

This may include the benefit of employee share schemes or options which may be exercised after they have left New Zealand but were attributable at least in part to a period of employment in New Zealand.

Depending on the nature of the income they may be required to file an annual tax return as a non-resident (IR3NR).

Where the income is in the form of dividends or interest from non-associated entities, non-resident withholding tax deducted at source may be a final tax.

BREAKING RESIDENCY - EXIT PROCEDURES

There are no specific exit procedures for leaving New Zealand. Where an expatriate expects to break their tax residence, they should notify Inland Revenue of their date of departure.

Whether an outbound expatriate will lose New Zealand tax residence will depend on the length of the overseas secondment and the individual’s personal circumstances.

To cease being a tax resident an outbound expatriate would need to be out of New Zealand for longer than 325 days in any 12-month period and cease to have a permanent place of abode in New Zealand.

It is acknowledged that the COVID-19 pandemic could cause individuals to have to stay in New Zealand longer than 183 days despite their plans to leave. In such cases, Inland Revenue have indicated an individual will not become tax resident in New Zealand under the day-count test just because they are stranded in New Zealand.

The permanent place of abode test is wider than merely having a place to live and involves an analysis of personal and economic ties with New Zealand, the availability of a place to stay in New Zealand, and the length of their expected time overseas. It is fact sensitive and must be considered on an individual case by case basis.

Where New Zealand residence is lost, an expatriate will be required to file an individual income tax return (IR3) up to the date their tax resident status changes. If the departure from New Zealand is permanent and the expatriate does not anticipate any New Zealand-sourced income they should advise Inland Revenue at the time their final income tax return (IR3) is filed.

INCOME TAX RATES (2020)

Taxable Income (in NZD)	Tax Rates
0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,001 - 70,000	30%
70,001 +	33%

A non-resident is subject to the same tax rate as a resident, unless the income is in the nature of interest or dividends which may have a reduced withholding tax.

Employment Income

New Zealand has a pay as you earn ("PAYE") system for individual salary and wage earners. The employer deducts PAYE tax at source and remits the tax to Inland Revenue on behalf of the employee.

All employees must pay an ACC earners levy to cover the cost of non-work related injuries. This is administered through the PAYE system.

Where an expatriate is seconded overseas but continues to get paid from New Zealand, advice should be obtained as to who has the primary right to tax the income. If that right falls to the Host Country, the expatriate should consider applying for a special rate certificate to prevent PAYE being withheld in two countries.

SOCIAL SECURITY CONTRIBUTIONS

New Zealand has a superannuation scheme called KiwiSaver which employees may opt out of within six weeks of commencing employment with a new employer.

Where an employee does not opt out, a percentage is deducted from each payment of salary or wages and remitted to their KiwiSaver Fund and matched by contributions to by the employer.

Where an expatriate stops working in New Zealand, the KiwiSaver contributions will automatically stop, but voluntary contributions can be made by the individual.

If an expatriate has permanently left New Zealand, they may apply to withdraw their funds and close their KiwiSaver fund.

For further information and to register for future updates contact expat@bdo.global