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**New Zealand – Salary  
Trade-Off Proposals  
Narrowed to Car Parks,  
Vouchers**

by KPMG, New Zealand (a  
KPMG International member  
firm)

## *flash* International Executive Alert

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On 3 October 2012, New Zealand's government announced that the proposals to tax employees' salary trade-offs will be narrowed.<sup>1</sup> (For related coverage, see [Flash International Executive Alert 2012-094](#), 11 May 2012.) These changes are in response to public concerns about the original proposals' workability. The rules now target Auckland and Wellington central business district (CBD) car parks and vouchers for goods and services issued by charities to employees, rather than all explicit and implicit salary sacrifice benefits as originally proposed.

For international assignees working in New Zealand, the proposals may have an impact on salary packaging if the additional tax costs on car park benefits are passed on by employers.

In summary, the Minister of Revenue, Peter Dunne announced:

- The new rules will apply predominantly to car parks provided to employees in the Auckland and Wellington CBD areas only. (The original proposal was that all car parks would be covered if provided by an employer as part of an explicit salary sacrifice arrangement or provided as an implied benefit – i.e., the employee has an “enforceable right” to the car park.)
- Car parks will be taxable under New Zealand's Fringe Benefit Tax (FBT) rules. (The original proposal asked for feedback on whether taxation/attribution should be under the FBT or PAYE withholding rules for salary.)
- Charities will not be subject to the new rules, i.e., charities' current tax exemption will continue, except in the case of vouchers (e.g., for petrol and groceries). (The original proposal suggested that the tax exemption be removed altogether for charitable organizations.)
- Cars, car parks, and vouchers provided as part of explicit salary trade-off arrangements will still need to be counted for New Zealand social assistance purposes. (The original proposal had all attributable benefits, for tax purposes, needing to be included as “income” for determining social assistance entitlements/liabilities.)

The 3 October announcement confirms a 1 April 2014 application date for the changes.

### KPMG Note

KPMG in New Zealand welcomes the changes to make the salary trade-off proposals more workable. The original proposals cast the net too wide and did not take account of the compliance costs to employers from implementing the new rules. The updated proposals take a more pragmatic approach – for example, generally limiting the taxation of car park benefits to those in the Auckland/Wellington CBDs as this is where the greatest value/benefit for an employee is likely to be.

However, there still remains much detail about the proposals that needs elaboration, particularly around valuing and attributing these benefits and various exemptions from the new rules. Individuals will also need to be aware of the impact the proposals may have on their income for New Zealand social assistance purposes and the need to get their declarations right to avoid over-payments and end-of-year liabilities.

#### *Footnote:*

1 See the announcement at: <http://taxpolicy.ird.govt.nz/news/2012-10-03-announcement-salary-trade-decisions#statement> .

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This article is adapted, with permission from “Salary Trade-off Tax Proposals Narrowed to Car Parks and Vouchers” in *Taxmail* (3 October 2012, issue 2), a publication of the KPMG International member firm in New Zealand. For the complete article, click [here](#).

*For further information or assistance, please contact your local IES professional or Murray Sarelius (at tel. +64 9 363 3458; e-mail: [murraysarelius@kpmg.co.nz](mailto:murraysarelius@kpmg.co.nz)), with the KPMG International member firm in New Zealand.*

The information contained in this newsletter was submitted by the KPMG International member firm in New Zealand. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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