



Taxation of international executives: New Zealand



February 2024

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01

Overview and Introduction

1 Overview and Introduction

Individuals are subject to income tax on worldwide income whilst tax resident in New Zealand. All worldwide income of a tax resident in New Zealand is taken into account in determining their effective rates of tax. The tax rates for the 2024 income year are 10.5 percent on income up to 14,000 New Zealand dollar (NZD), 17.5 percent on taxable income between NZD14,001 and NZD48,000, 30 percent on taxable income between NZD48,001 and NZD70,000, 33 percent on taxable income between NZD70,001 and NZD180,000 and income over NZD180,000 is taxed at 39 percent.

From 1 July 2024, the Government has indicated the tax brackets will be adjusted but this has not yet been legislated.

Herein, the host country/jurisdiction refers to the country/jurisdiction to which the employee is assigned. The home country/jurisdiction refers to the country/jurisdiction where the assignee lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax Returns and Compliance

When are tax returns due? That is, what is the tax return due date?

An annual income tax return (if required) is due on 7 July.

Taxpayers who have a filing extension with an agent are required to file returns by 31 March the following year. In practice, the majority of executives are likely to be required to file tax returns.

Terminal taxes are payable by 7 February of the following year (or 7 April for taxpayers with a filing extension). Interest and penalties may apply to late payment of taxes owing. Taxpayers with income that has not had New Zealand tax deducted at source may be liable to make tax payments in instalments throughout the year (provisional tax).

What is the tax year-end?

The tax year is to 31 March.

What are the compliance requirements for tax returns in New Zealand?

Residents

Taxpayers who derive income other than income that has tax withheld at source, will be required to file a tax return.

Taxpayers who derive income only from employment, interest, or dividends that have tax withheld at source during the income year are not required to file an annual income tax return if the income reported is correct. Instead, Inland Revenue will prepare and issue an auto-assessment of the taxpayer's position for the tax year.

Non-residents

Non-residents may be required to file an annual tax return if they have income that is New Zealand sourced.

Interest and dividends sourced in New Zealand and paid to a non-resident are subject to non-resident withholding tax (NRWT). As NRWT is usually a final tax for non-residents, a tax return is not usually required if these are the only forms of income received from New Zealand sources.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in New Zealand?

Residents

Both residents and non-residents are taxed in general using a tiered rate table as follows. Income tax table for 2024 tax year to 31 March 2024

Taxable income bracket		Total tax income below bracket	Tax rate on income in bracket
From NZD	To NZD	NZD	Percent
0	14,000	0	10.50

Taxable income bracket		Total tax income below bracket	Tax rate on income in bracket
From NZD	To NZD	NZD	Percent
14,001	48,000	1,470	17.50
48,001	70,000	7,420	30.00
70,001	180,000	14,020	33.00
180,001	Over	43,720	39.00

From 1 April 2021, a new top tax bracket has been introduced at 39% for all income over NZD 180,000.

An Accident Compensation Corporation (ACC) Earners' Levy at the rate of 1.53 percent is also imposed on employment income up to a maximum of NZD139,384 to fund the accident compensation scheme for the 2024 income year.

Non-residents

A non-resident is subject to New Zealand tax only on income earned or sourced in New Zealand (regardless of where paid). The tax rates applying generally are as set out above for resident taxpayers.

Double tax agreements may apply to exclude or limit the amount of tax payable on certain income earned by non-residents.

Non-resident withholding tax is imposed on every person who derives non-resident withholding income such as interest and dividends. NRWT is generally a final tax on such income.

Non-resident withholding tax is imposed on interest at 15 percent, and dividends at 30 percent or 0 percent if fully imputed. These rates might be reduced further through the application of a double tax agreement if the recipient is resident in a country/jurisdiction with which New Zealand has entered into such an agreement.

Approved Issuer Levy (AIL) can be applied instead of NRWT on payments of interest to a non-resident, provided they are not associated with the payer. AIL is imposed as a levy at the rate of 2 percent and satisfies the tax obligations of the taxpayer in New Zealand, however, cannot be used as a tax credit in overseas jurisdictions. AIL at 0 percent may be available in certain circumstances.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of New Zealand?

Residents

A New Zealand resident taxpayer is taxable on their worldwide income. For income tax purposes a resident individual is defined as a person:

- who has a permanent place of abode in New Zealand or;
- is personally present in New Zealand in excess of 183 days in any 12-month period (note that any part days of physical presence in New Zealand is included as days present in New Zealand).

A prerequisite for the existence of a permanent place of abode is having an available dwelling in New Zealand. This dwelling does not need to be directly owned by the taxpayer to be considered available for the purposes of this test. In addition, for a property to be regarded as available it is not necessary that it be vacant or able to be occupied immediately.

Where an individual has an available dwelling in New Zealand, in order to determine whether the dwelling will be considered a permanent place of abode, there are two key considerations; the continuity and duration of the individual's presence in New Zealand and the durability of the individual's association with the property. The following factors would be considered in addressing the level of an individual's connection with a property:

- nature and use of the dwelling intentions
- family and social ties
- employment, business and economic ties personal property
- other "relevant" factors, e.g. receipt of Government assistance, whether holidays are spent in New Zealand

Determination of a permanent place of abode is a question of fact and varies from person to person.

COVID-19 has impacted travel and Inland Revenue has released guidance to address situations where individuals would breach days count thresholds due to travel restrictions and prima facie become subject to tax in New Zealand.

The residency guidance issued by Inland Revenue provides that individuals will not become New Zealand tax residents if they exceed the 183-day threshold because of the COVID-19 restrictions if they leave New Zealand as soon as they are practically able to. This means such individuals would not be subject to tax in New Zealand unless they receive income which is New Zealand sourced.

As determination of residence is a key factor in determining your tax obligations, KPMG in New Zealand recommends that you seek professional advice based on your specific circumstances.

Is there a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

A person who is physically absent from New Zealand in excess of 325 days in any 12-month period is deemed not to be resident in New Zealand from the beginning of that period of absence provided they have no permanent place of abode in New Zealand. Therefore, a taxpayer cannot come back to the host country/jurisdiction (New Zealand) for more than 39 days in the 12-month period following departure in order to meet the days test for non-residence from their departure date.

Whether you remain a New Zealand resident will depend upon your individual circumstances.

What if the assignee enters the country/jurisdiction before their assignment begins?

You will be a resident for New Zealand tax purposes if you spend more than 183 days in any 12-month period in New Zealand or if you have a permanent place of abode in New Zealand. You will become a New Zealand tax resident from the first day in the 12-month period that you gain residency. This means that any prior trips to New Zealand before your move to New Zealand may cause you to become a tax resident from the date of the prior visit.

Transitional residents

People who have not been tax resident in New Zealand for at least 10 years and return or move to New Zealand will be a transitional resident for New Zealand tax purposes. A person may only be a transitional resident once during their lifetime.

The general requirements for being a transitional resident are as follows: the individual is

- resident in New Zealand

- for a continuous period (the non-residence period) of at least 10 years ending immediately before the individual satisfies the requirements of the determination of residence other than company for becoming resident in New Zealand, the individual:
 - did not satisfy the requirements for being resident in New Zealand
 - was not resident in New Zealand.
- the individual has not been a transitional resident before the non-residence period
- the individual has not ceased to be a transitional resident after the end of the non- residence period.

A transitional resident is taxed only on their New Zealand-sourced income, and any overseas employment or business income. This exemption from tax on most foreign-sourced income will apply for 48 months from the date of New Zealand tax residence (the exemption period may extend to up to 54 months depending on when a New Zealand permanent place of abode arises).

Non-residents

A person who is physically absent from New Zealand in excess of 325 days in any 12-month period is deemed not to be resident in New Zealand from the beginning of that period of absence, provided they do not have a permanent place of abode in New Zealand.

2.4 Termination of residence

Are there any tax compliance requirements when leaving New Zealand?

There are no special procedures on termination of residence.

What if the assignee comes back for a trip after residency has terminated?

After residency has been terminated (that is, the taxpayer has been physically absent from New Zealand for more than 325 days) a taxpayer cannot come back to the host country/jurisdiction for more than 183 days in any 12 months. If the 183-day period is exceeded the assignee could be regarded as being a resident from the first day of their arrival into New Zealand.

Communication between immigration and taxation authorities

Do the immigration authorities in New Zealand provide information to the local taxation authorities regarding when a person enters or leaves New Zealand?

Such information could be obtained if IRD requested it. The New Zealand Government is increasing its information sharing between its various agencies.

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

Yes, the assignee will have a filing requirement in the host country/jurisdiction if they have income sourced in their host country/jurisdiction.

2.5 Economic employer approach

Do the taxation authorities in New Zealand adopt the economic employer approach to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in New Zealand considering the adoption of this interpretation of economic employer in the future?

No. The New Zealand IRD does not currently have a policy statement on this matter and has historically focused on the actual employer. New Zealand legislation defines employer by reference to the person making a source deduction payment (that is a salary payment subject to Pay As You Earn (PAYE), or

similar). This domestic interpretation would usually be carried into the interpretation of the Double Tax Agreement (in the absence of any specific definition). However, in light of an Australian ruling (December 2003) it is possible that IRD could adopt this approach in any particular circumstance. To date, the usual approach has been to treat the recharge as a management fee, potentially subject to New Zealand tax (and non-resident contractors' withholding tax) as it relates to services performed in New Zealand. In the case of a direct recharge of cost, no taxable profit arises.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

As discussed in the answer to the question above, there is no IRD policy statement, or exposure draft, on this.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

In general, all types of remuneration, monetary benefits, and housing received by an employee for services rendered constitute taxable income regardless of where paid. Typical items of an expatriate compensation package as follows are fully taxable unless otherwise indicated:

- base salary
- reimbursements of foreign and/or home country/jurisdiction taxes school tuition reimbursements
- cost-of-living allowances
- expatriation premiums for working in New Zealand.

Housing allowances and the gross value of housing provided directly by the employer are generally taxable to the employee. Exemptions from tax on housing benefits apply where an existing employee goes on a secondment with the intention that the secondment would not exceed 2 years. This exemption does not apply to new employees. If at any time the intention regarding the term of the secondment changes and it is expected to exceed 2 years, the accommodation will become taxable from the date of the change in intention. The reverse situation where the period of assignment is reduced from greater than 2 years to below the 2-year threshold would likewise result in accommodation being treated as exempt from the date of the change in intention.

In some specific circumstances, the tax-exempt period may apply for up to 5 years. This extended exempt period relates to certain capital projects (up to 3 years) and accommodation associated with rebuild work in respect of the Canterbury earthquake.

An exemption also exists in certain circumstances for employees with multiple workplaces who are required to work on an ongoing basis at a distant workplace.

Where accommodation provided to an employee is not subject to one of the specific exemptions, employer provided accommodation will be taxable to that employee, however the first 3 months of any housing or housing allowance paid is exempt from tax where it relates to their relocation.

Benefits-in-kind are generally subject to Fringe Benefit Tax (FBT) payable by the employer. Legislation allows employers to use FBT rates that correspond to the personal income tax rates of the employee receiving the benefit (with the top rate of FBT payable being 63.93 percent from 1 April 2021, based on the top marginal tax rate). The intention is to make employers indifferent from a tax perspective whether a benefit in kind is provided and FBT paid, or equivalent cash remuneration is paid to the employee.

The FBT rate is set so an employer is indifferent between providing a net benefit-in-kind, or gross salary to enable the employee to purchase the benefit.

Intra-group statutory directors

Will a non-resident of New Zealand who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in New Zealand) trigger a personal tax liability in New Zealand, even though no separate director's fee/remuneration is paid for their duties as a board member?

There have been recent changes to the taxation of director fees in New Zealand which in most cases mean that directors fees for services to a New Zealand company are regarded as New Zealand sourced irrespective of the location of service. The outcome depends upon a number of factors including the location the individual is a tax resident of, contractual arrangements, attribution of services and the individual's presence in New Zealand, for example.

Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in New Zealand?

There is no hard and fast rule. The tax outcome is dependent on the specific circumstances presented and additional advice should be obtained.

Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in New Zealand (i.e., as a general management fee where the duties rendered as a board member is included)?

This is dependent on the specific circumstances presented and additional advice should be obtained.

In the case that a tax liability is triggered, how will the taxable income be determined?

As noted above, the tax liability depends upon the specific circumstances presented, and additional advice should be obtained.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in New Zealand? If so, please provide a general definition of these areas.

- Certain non-monetary benefits. Certain cash allowances.
- Certain transfer costs.
- Contribution to a non-New Zealand-registered superannuation scheme.

Certain non-monetary benefits

Non-monetary benefits provided by the employer to the employee for services rendered are generally not taxable in the hands of the employee. However, these benefits are usually subject to FBT which is payable by the employer. Such non-monetary benefits include a company car, interest-free or low interest loans, discounted goods and services, free or subsidized travel for recreational leave and contributions to an overseas superannuation scheme, and so on. Discounted shares or share options packages do not fall within the FBT regime. Discounted shares granted or vested and share options exercised, while resident in New Zealand are taxable in the hands of the employee.

From 1 April 2017, employers providing employee share benefits have additional obligations. Employers can opt to apply the PAYE rules rather than individuals having to pay tax in their income tax returns. Regardless of whether employers opt into the new rules or not, there is a requirement to provide information on the value of employee share benefits to the IRD through payroll at the taxing date.

Certain cash allowances

Cash allowances are not taxable in the hands of the employee if they merely reimburse the employee for expenditure incurred on behalf of an employer. Common examples of reimbursement allowances are accommodation expenses for business travel (however see comments above re housing) and petrol allowances for business motor vehicle usage.

Certain transfer costs

When an employer requires an employee to transfer to a new location, reimbursement of the costs of relocation are generally exempt from tax. This exemption only extends to direct costs associated with an employee's transfer.

The New Zealand IRD have issued a list of relocation costs that may be eligible as exempt from tax to provide clarity as to the type of expenditure that is exempt from tax.

Contribution to a non-New Zealand registered superannuation scheme

Where an employer makes a contribution to a non-New Zealand registered superannuation scheme (for example, a superannuation plan registered overseas), the contribution will generally be subject to FBT. Contributions made by an employer to a New Zealand-registered scheme may be subject to Employer Superannuation Contribution Tax (ESCT) at the employee's marginal tax rate.

Prior to 1 April 2011, superannuation investments from which ESCT had been deducted were subject to a 5 percent withdrawal tax when the funds were withdrawn from the scheme (for example, when funds were withdrawn less than 2 years after the contributions were made).

2.8 Expatriate concessions

Are there any concessions made for expatriates in New Zealand?

No special exclusions from taxable income are available to expatriates residing in New Zealand apart from those relocation costs discussed above and the exemptions available for transitional residents.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in New Zealand? If so, how?

Where a resident or transitional resident of New Zealand derives income while working overseas, that income will be taxable in New Zealand. If foreign taxes are paid while overseas, it is possible to claim a foreign tax credit for the foreign tax paid. The amount of the credit may not exceed the lesser of the amount paid in the country/jurisdiction of source and the amount of New Zealand tax payable on that income. In addition, this credit will only be allowable to the extent that the foreign-sourced income would have been taxable had it been derived in New Zealand.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Italy? If so, how?

Investment income is taxable in New Zealand if it is derived by a resident (other than a transitional resident in the case of foreign sourced investment income) or has a New Zealand source.

There is no comprehensive capital gains tax in New Zealand; however, some forms of capital gains are subject to income tax under specific provisions of the legislation. These include the following:

- gains on the sale of real and personal property that was acquired with the purposes of resale or was generally acquired as part of a profit-making activity

- gains on financial arrangements including any profit on realization and gains arising from foreign exchange fluctuations

Losses are subject to the normal tests of deductibility.

Tax is applied on any gain on the disposal of residential property (other than an individual's main home) where it is sold within 10 years of acquisition. The Brightline threshold is likely to be reduced by the New Zealand Government to 2 years. Buyers and sellers are also required to provide a New Zealand IRD number at the time of any transaction.

Taxation of interest income

For a New Zealand resident, any interest you earn whether from New Zealand or overseas sources will be included in your taxable income and will be subject to tax at marginal rates. A tax credit is generally allowed for any overseas taxes paid on interest derived from overseas.

Transitional residents will only be subject to tax on New Zealand-sourced interest income at their marginal rate. Non-resident taxpayers will need to have non-resident withholding tax or approved issuer levy deducted from New Zealand interest paid to them.

Dividends, interest, and rental income

Taxation of New Zealand-sourced dividends

Dividends paid by New Zealand companies are subject to an imputation system. This means that dividend income carries with it credits resulting from tax paid by the company, which can be used by resident shareholders against their personal tax liability on the dividends.

Resident withholding tax is imposed on dividends to the extent that the dividend is not fully imputed (that is, the dividend does not carry the maximum allowed amount of imputation credits).

Gains on financial arrangements (such as bonds and debt securities) may be taxable under the financial arrangement rules. This includes foreign exchange gains on bank accounts, which could be taxable on a realized (cash) basis or unrealized (accrual) basis depending on the taxpayer's personal circumstances.

A non-resident is subject to non-resident withholding tax on any dividends received from New Zealand companies. The standard rate of non-resident withholding tax on dividends is 30 percent, but this may be reduced to 15 percent by a double tax agreement and is automatically reduced to 0 percent to the extent that the dividend is fully imputed.

If dividends are your only New Zealand-sourced income and non-resident withholding tax has been correctly deducted, you will not need to file a New Zealand tax return.

Taxation of foreign-sourced dividends

Dividends paid by an overseas company will be taxable in New Zealand, unless the shares are subject to the Foreign Investment Fund (FIF) regime. Shares in non-New Zealand companies are generally subject to the FIF regime (discussed later).

Dividends paid by overseas companies to transitional residents, or a non-resident are not subject to tax in New Zealand.

Taxation of rental income

Residents will be taxable on net rental property income derived from property, regardless of location. Where mortgage interest payments are made to a foreign lender, you may be required to withhold non-resident withholding tax or approved issuer levy from the interest payments made and pay this to the Inland Revenue.

Residents who hold mortgages on foreign rental property should be aware the treatment of the financial arrangement income may be affected by ring-fencing rules and interest limitation considerations. We recommend getting specific advice in these cases.

Non-residents and transitional residents will only be taxable on net rental property income derived from property located in New Zealand.

Taxation of employee share purchase schemes

In general, the benefit of shares received under a share purchase or option arrangement as a consequence of employment is taxable in the hands of the employee.

The taxable benefit is calculated as the difference between the market value of the share received and the amount paid for the share. The trigger point for the tax liability is generally the point at which the employee acquires the share, whether by way of grant, purchase at a discount, or exercise of an option. The grant of options is not a taxable event. The tax liability arises upon exercise of the options, or when the option is sold.

If a transitional resident receives a benefit under an employee share option or purchase scheme, the value of any benefit may be reduced by an apportionment based on the transitional resident's period of employment as a non-resident over the total period of their employment in relation to the scheme.

A non-resident receiving a share benefit is taxable in New Zealand to the extent that the benefit relates to New Zealand employment.

You should seek advice from KPMG in New Zealand on employee share purchase schemes.

Foreign investments

Resident taxpayers are subject to specific regimes to prevent New Zealand residents from sheltering income offshore. In many circumstances, income accumulated in a controlled foreign company (CFC) or a foreign investment fund (FIF) is taxed in New Zealand.

The CFC and FIF regimes are applicable even to entities which may have been created before you become New Zealand tax resident. Tax may be imposed on foreign income when it is derived by a resident or, in some circumstances, as it accumulates in a CFC or a FIF. The rules for determining whether a foreign entity is a CFC or a FIF are complex and KPMG in New Zealand recommends seeking specific advice on the taxation of any investments held.

In general terms, a foreign company will be a CFC where five or fewer New Zealand residents hold in aggregate more than 50 percent of the (specified) control interests in the foreign company. A foreign company will also be a CFC where a single person resident in New Zealand holds a control interest of not less than 40 percent unless there is a non-associated, non-New Zealand resident who has an equal or greater control interest in the foreign company. Interests in CFCs are taxed in New Zealand if the CFC derives more than 5 percent of its income from "passive" sources (such as certain dividends, interest, royalties and rents).

Subject to certain exceptions, an interest in a FIF is defined as shares in a foreign entity, a right to benefit as a beneficiary or member of a FIF superannuation scheme or a right to benefit from a policy of life insurance entered into outside New Zealand.

Several exemptions from the FIF rules exist including an exemption for certain shares in Australian resident companies listed on the ASX and a de minimis exemption for individuals with total FIF investments having an aggregate cost of NZD50,000 or less. FIF exempt investments are taxable on distributions and on disposal, if held on revenue account (e.g., purchased with the intention of resale).

Although there are several methods of calculating income under the FIF regime, the default method is the fair dividend rate (FDR) method. The FDR method assumes that a taxpayer earns income from the FIF investment equal to 5 percent of the investment's market value on the first day of the tax year. If the actual return from a taxpayer's total portfolio of FIF investments is less than 5 percent, then tax can usually be paid on the lower amount (losses are not deductible however).

The majority of foreign superannuation schemes would not be considered to be FIF superannuation schemes. If the foreign superannuation scheme is entered into while the taxpayer is a non-resident, the taxpayer has an exemption from tax on any withdrawal for the first 4 years of New Zealand tax residence. The most common method to tax the withdrawal after the 4-year exemption period is under the schedule method. This method taxes a percentage of the withdrawal based on the time that the taxpayer has been a New Zealand tax resident.

Tax planning

Timing of payments

A gross-up of income in the year of departure is not required. Therefore, lower marginal tax rates may apply if an individual leaves New Zealand early in the income year or arrives late in an income year.

Superannuation scheme benefits

As noted above, distributions from certain overseas superannuation schemes are generally taxable if received while a tax resident in New Zealand. As a general rule, if you expect to receive offshore pensions and superannuation benefits while a tax resident in New Zealand, KPMG in New Zealand recommends that they should be reviewed, and their tax status determined.

Gains from stock option exercises

Gains from stock options and discounted shares are generally taxable if the price paid for the share is less than the market value of the share at the time of acquisition of the share. Gains from the disposal of stock options received by virtue of employment are also generally taxable. The timing of exercise of options, or grant of shares, vis-à-vis becoming tax resident in New Zealand could determine whether the share benefit is taxable in New Zealand.

Foreign exchange gains and losses

Foreign exchange gains and losses arising on financial arrangements held by tax residents must be brought to account under the financial arrangements' regime. Gains will be assessable. Losses will be deductible provided the interest deductibility criteria are met.

Depending on the taxpayer's personal circumstances, gains might be taxable on a realized (cash) basis or unrealized (accrual) basis.

Principal residence gains and losses

Not applicable in New Zealand.

Capital losses

Losses are subject to the normal tests of deductibility. As New Zealand does not have a comprehensive capital gains tax regime, capital losses are generally not deductible. Losses on financial arrangements might be deductible under the financial arrangement rules.

Personal use items

New Zealand does not allow deductions against employment income for private expenditure. Benefits-in-kind provided to employees are liable to fringe benefits tax (FBT) in the hands of the employer.

Reimbursement of expenditure incurred as a consequence of employment can generally be reimbursed by the employer without the employee being subject to tax on the reimbursed amount. The Inland

Revenue has released a list of what relocation costs will be non-taxable, such as the costs of finding a new property, moving personal effects, and immigration assistance.

Gifts

There is no longer gift duty in New Zealand.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in New Zealand? If so, please discuss?

New Zealand does not have a comprehensive capital gains tax regime. Some forms of gain are subject to income tax under specific provisions of the legislation. These include:

- gains on the sale of real and personal property that was acquired with the purposes of resale or was acquired as part of a profit-making activity
- gains on financial arrangements including any profit on realization and gains arising from foreign exchange fluctuations.

Are there capital gains tax exceptions in New Zealand? If so, please discuss?

Pre-CGT assets

See section above.

Deemed disposal and acquisition

See section above.

2.12 General deductions from income

What are the general deductions from income allowed in New Zealand?

Generally, the only deductions available to most individuals are for expenditure relating to tax return preparation and premiums on certain loss of earnings insurance.

2.13 Calculation of estimates/ prepayments/ withholding

How are estimates/prepayments/withholding of tax handled in New Zealand? For example, Pay As You Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

An employer will generally be required to make deductions of income tax from salary and wages and remit those deductions to the Inland Revenue Department (either once or twice a month, depending on the size of the employer). These are referred to as Pay As You Earn (PAYE) deductions.

If an employer does not deduct PAYE, tax deductions become the responsibility of the employee and can be accounted for as an IR 56 taxpayer, where the employee makes regular payments to the Inland Revenue.

A taxpayer that has income that is not subject to source deductions, such as investment income, might be required to make installment payments (provisional tax) during the tax year.

When are estimates/prepayments/withholding of tax due in New Zealand? For example, monthly, annually, both, and so on.

A provisional taxpayer may be required to pay provisional tax during an income year. This is generally done in three installments.

A provisional taxpayer, for a tax year, is a taxpayer whose residual income tax for the tax year is NZD 5,000 or more; or where a taxpayer makes an election to be a provisional taxpayer.

2.14 Relief for foreign taxes

Is there any Relief for Foreign Taxes in New Zealand? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on.

A tax credit is allowed for foreign tax which is paid on any foreign-source income. The tax for which a credit is sought must be similar in nature to New Zealand income tax. The amount of the tax credit allowed cannot exceed the lesser of the amount of tax actually paid in the foreign jurisdiction, or the New Zealand tax liability on the foreign sourced income.

If a tax credit is claimed and the foreign tax is subsequently refunded, the amount of tax credit claimed (and refunded) must be paid to the Inland Revenue within 30 days of the date on which the foreign tax was refunded.

New Zealand has agreements for the avoidance of double taxation concluded with most of New Zealand's major trading partners.

2.15 General tax credits

What are the general tax credits that may be claimed in New Zealand? Please list below.

- Pay As You Earn (PAYE).
- Foreign Tax Credit (FTC).
- Resident Withholding Tax (RWT).
- Non-resident Withholding Tax (NRWT).
- Imputation Credits (IC).

2.16 Sample tax calculation

This calculation assumes a married taxpayer resident in New Zealand with two children whose 3-year assignment begins 1 January 2020 and ends 31 December 2022. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

Calendar	2020 USD	2021 USD	2022 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0

Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: USD1.00 = NZD1.30.

Other assumptions

- All earned income is attributable to local sources.
- Bonuses that arise for each calendar year are earned evenly throughout the year and are paid in January of the following year.
- Cost of living, housing, and education allowances are paid evenly through the year. Home leave travel is either structured to be non-taxable or is subject to FBT in the hands of the employer.
- The company car is used for business and private purposes and originally cost USD50,000. The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

Calculation of taxable income

Year-ended 31 March	2020 NZD	2021 NZD	2022 NZD	2023 NZD
Months in New Zealand during tax year	3	12	12	9
Earned income subject to income tax				
Salary	32,500	130,000	130,000	97,500
Bonus		26,000	26,000	26,000
Cost-of-living allowance	3,250	13,000	13,000	9,750
Housing allowance		15,600	15,600	11,700
Company car				
Moving expense reimbursement				
Home leave				
Education allowance	975	3,900	3,900	2,925
Total earned income	40,625	188,500	188,500	147,875
Other income	1,950	7,800	7,800	5,850
Total income	42,575	196,300	196,300	153,725
Deductions				
Total taxable income	38,675	196,300	196,300	153,725

Calculation of tax liability

Year-ended 31 March	2020 NZD	2021 NZD	2022 NZD	2023 NZD
Taxable income as above	38,675	196,300	196,300	153,725
New Zealand tax thereon				
Less:				
Foreign tax credits				
Total New Zealand tax	5,788	55,699	56,677	41,650

03

**Special considerations
for short term
assignments**

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residency considerations for short-term assignments?

Residence for short term assignees will be determined on the same basis as for other assignees. The residence tests were discussed earlier.

Where a secondment is for a short period (less than 92 days in total during the income year) then remuneration derived by a non-resident will generally be exempt from New Zealand tax, provided that the income is taxable in the home country/jurisdiction and the employer is not resident in New Zealand.

Relief from New Zealand taxation may also be provided under international double tax agreements to which New Zealand is a party. Such treaties generally exempt from New Zealand tax remuneration derived by a person who is present in New Zealand for less than 183 days during any 12-month period, provided that income is paid by an employer who is not a New Zealand resident or does not have a permanent establishment in New Zealand.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

Withholding tax obligations in New Zealand would need to be considered. If an assignee carried work out in New Zealand, this will be sourced in New Zealand even if paid overseas.

If the taxpayer cannot determine that income is exempt under the 92-day rule or double tax agreement, then the employer may pay a bond to the Inland Revenue Department equal to the amount of tax deductions that would have been deducted.

3.3 Taxable income

What income will be taxed during short-term assignments?

If a short-term assignee is in New Zealand for more than 183 days, the assignee is taxable as resident on worldwide income basis, unless they meet the transitional resident rules (see previous). In contrast, a non-resident is taxable only on New Zealand sourced income.

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in New Zealand?

Whether there is a risk that the assignment will create a Permanent Establishment for the overseas employer.

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Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in New Zealand? If so, what are the rates for employers and employees?

Employer and employee

New Zealand does not have specific social security taxes. New Zealand's social security system is funded through general taxation. A number of benefits exist under this scheme, aimed at assisting the elderly, sick, widowed, and unemployed. For example, a national superannuation benefit called NZ Super is available to all New Zealanders (citizens and permanent residents) from the retirement age (currently age 65) who have lived in New Zealand for a minimum of 10 years. This is not a "means" tested benefit.

Accident compensation cover is however primarily funded by way of a levy paid by employers and employees (earner premium). A comprehensive range of benefits are available under this scheme if a person has suffered an accidental injury.

Superannuation

There is no compulsory superannuation saving (as noted earlier all New Zealanders are entitled to receive NZ Super at the retirement age). However, there is a voluntary workplace savings scheme called KiwiSaver. KiwiSaver must be offered by all employers to their employees. All full-time and part-time employees aged between 18 and 65 are eligible to participate in the scheme.

KiwiSaver contributions are deducted from employees' wages at the rate of 3 percent of gross earnings (options exist for higher levels of employee contributions to be made).

Employers are also required to contribute 3 percent. The New Zealand Government also provides a tax credit of up to NZD521 per annum, per employee.

All new employees are automatically enrolled in KiwiSaver, unless they formally elect to opt- out of the scheme.

The KiwiSaver legislation does not apply to non-resident employers (unless operating through a branch or similar in New Zealand) or to employees who are not "usually living in New Zealand."

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in New Zealand?

Gift tax

There is no longer gift duty¹ in New Zealand.

Estate duty

There is no estate duty payable on a deceased's estate.

4.3 Real estate tax

Are there real estate taxes in New Zealand?

¹ All taxation information in this section is summarized by KPMG, the New Zealand member firm affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity, based on the Estate and Gift Duties Act 1968.

Not applicable.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in New Zealand?

Goods and services tax

In general terms, goods and services tax² (GST) is a value-added tax which is payable on most goods and services supplied in New Zealand. The rate at which

GST is charged is a standard rate of 15 percent.

4.5 Unemployment tax

Are there unemployment taxes in New Zealand?

Not applicable.

4.6 Other taxes

Are there additional taxes in New Zealand that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Not applicable.

4.7 Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

Inland Revenue requires taxpayers to report income received from offshore assets where this is considered taxable income in New Zealand.

New Zealand residents with US financial arrangements are required to comply with the Foreign Account Tax Compliance Act (FATCA) and New Zealand financial institutions must register with the IRS and report on US citizens and tax residents who hold financial assets that exceed certain thresholds.

New Zealand also participates in the Automatic Exchange of Information (AEOI) and the Common Reporting Standard (CRS).

² Ibid.

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Immigration

5 Immigration

Following is an overview of the concept of New Zealand’s immigration system for skilled labour.

(E.g., which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

This summary provides basic information regarding business visits to, and work authorization for, New Zealand. The information is of a general nature and should not be relied upon as legal advice.

Covid-19 and international travel

Travellers and crew entering and leaving New Zealand from air and sea do not need pre-departure tests or proof of COVID-19 vaccination to enter. Travellers still need to check with their airline or cruise provider as they may still require proof of vaccination. Overseas travellers who feel unwell and test positive for COVID-19 should self-isolate for 5 days and wear a mask when visiting healthcare facilities.

Temporary Work Visas

For all work visas with a duration of 12 months or more, the candidate will require a general medical and a chest X-ray. For work visas with a duration of between 6 and 12 months and candidates who are a citizen of a country/jurisdiction that does not have a low incidence of tuberculosis (“TB”) or have spent more than 3 months in a country/jurisdiction that does not have a low incidence of TB, they will have to obtain a chest X-ray. The list can be found [here](#).

For all work visas with a duration of 24 months or more, the candidate will require a police certificate from their countries/jurisdictions of citizenship as well as any country/jurisdiction they have lived in for 5 years or more since the age of 17, whether all at once or intermittently.

The [Accredited Employer Work Visa](#) (“AEWV”) is available for migrant workers for work up to 5 years. Employers supporting a migrant worker for an AEWV must be an Accredited Employer and must pay the applicant least the median NZ wage (currently \$29.66 per hour) unless the role is on an exemption list. A labour market test is required unless the role is remunerated at or above double the median wage, or is on the [Green List](#) and the candidate meets the requirements listed.

An AEWV visa holder can support their partner and children for temporary visas. If the AEWV visa holder earns less than the median wage, they cannot support a partner for a work visa.

The AEWV is submitted online. Certified documents are not required for online applications.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter New Zealand as non-visa national,

Candidates from the following countries/jurisdictions may come to New Zealand “visa waiver” if their intended stay is for less than 3 months.

Andorra	Macau (SAR) — only if you have a Macau Special Administrative Region passport
Argentina	Malaysia
Austria	Malta

Bahrain	Mauritius
Belgium	Mexico
Brazil	Monaco
Brunei	Netherlands
Bulgaria	Norway
Canada	Oman
Chile	Poland
Croatia	Portugal — if you have the right to live permanently in Portugal
Cyprus	Qatar
Czech Republic	Romania
Denmark	San Marino
Estonia — citizens only	Saudi Arabia
Finland	Seychelles
France	Singapore
Germany	Slovak Republic
Greece	Slovenia
Hong Kong (SAR) — residents with HKSAR or British National–Overseas passports only	Spain
Hungary	Sweden
Iceland	Switzerland
Ireland	Taiwan — if you are a permanent resident
Ireland	United Arab Emirates
Israel	United Kingdom (UK) — if you are travelling on a UK or British passport that shows you have the right to reside permanently in the UK
Italy	United States of America (USA) — including USA nationals
Japan	Uruguay
Korea — South	Uruguay
Kuwait	Vatican City
Latvia — citizens only	
Liechtenstein	
Lithuania — citizens only	

(b) which activities they may perform and

- to carry out an official trade mission recognized by the New Zealand government
- sales representatives of overseas companies in New Zealand for a period or periods no longer than a total of 3 months in any calendar year
- to buy New Zealand goods and services for a period or periods no longer than a total of 3 months in any calendar year
- to negotiate or discuss the set-up, expansion or wind-up of a business in New Zealand for a period or periods no longer than a total of 3 months in any calendar year
- to carry out any business with the authorized representatives of an overseas company, body or person for a period or periods no longer than a total of 3 months in any calendar year
- to study for 3 months or less.

If the applicant is intending to undertake activities that fall outside of the above scope, a work visa is recommended.

(c) the maximum length of stay.

Three months. To carry out any other work activities or stay longer than 3 months, you'll need to apply for a work visa.

Describe (a) the regulatory framework for business travellers being visa nationals (especially the applicable visa type),

Provided the business traveller is travelling to New Zealand to undertake the activities listed in (b) below, then a business visitor visa is the most suitable visa type.

As the visa is 3 months or less in duration, the applicant will not have to apply for a police certificate, nor will they be required to undertake any medicals.

The visa application can be submitted via the online immigration portal. Immigration provides a processing time of approximately 12 days.

(b) which activities they may perform under this visa type and the (c) maximum length of stay.

The holder of a business visitor visa may perform the following activities:

- to carry out an official trade mission recognized by the New Zealand government
- sales representatives of overseas companies in New Zealand for a period or periods no longer than a total of 3 months in any calendar year
- to buy New Zealand goods and services for a period or periods no longer than a total of 3 months in any calendar year
- to negotiate or discuss the set-up, expansion or wind-up of a business in New Zealand for a period or periods no longer than a total of 3 months in any calendar year
- to carry out any business with the authorized representatives of an overseas company, body or person for a period or periods no longer than a total of 3 months in any calendar year
- to study for up to 3 months.

Maximum length of stay is 3 months.

If the applicant is intending to undertake activities that fall outside of the above scope, a work visa is recommended.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

The application can be submitted via the online immigration portal. [Immigration provides a processing time of approximately 12 days.](#)

As the visa is 3 months or less in duration, the applicant will not have to apply for a police certificate, nor will they be required to undertake any medicals.

Documents required:

- Passport type visa photo
- Evidence of funds to support yourself in your name or a letter of financial support from employer
- Evidence of employment
- Passport biodata scan
- Return plane ticket
- Evidence of the purpose of travel

NB: All documents must be translated to English by a professional translator as required.

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

Unfortunately, no visa waiver programs exist for technical support staff, as providing technical support would fall under the definition of working. The most suitable visa for technical support is a Specific Purpose work visa.

5.2 Short-Term Assignments

This visa is open to senior or specialist businesspersons wishing to undertake a short-term secondment and who have a job offer with a substantial New Zealand company or a New Zealand subsidiary of an overseas company.

The applicant must provide:

- evidence of a job offer that complies with New Zealand employment law
- terms of the secondment, including duration
- evidence of being an [executive or senior manager](#) or [specialist personnel](#).

5.3 Long-Term Assignments

What are the main work visa categories for long-term assignments to New Zealand? In this context, please outline whether a local employment contract is required for the specific visa type.

Long term assignments of 12 months or more are covered by a Specific Purpose work visa. The criteria for the applicant are that they are a businessperson seconded to New Zealand as an intra-corporate transferee to take up a position in a multinational company as: an executive; or a senior manager; or specialist personnel.

Evidence of plans in New Zealand include:

- evidence of a job offer that complies with New Zealand employment law
- terms of the secondment, including duration

- evidence the applicant is an [executive or senior manager](#) or [specialist personnel](#).

Provide a general process overview to obtain a work and residence visa for long-term assignments (including processing times and maximum validation of the visa).

There is no direct pathway to residence for employees on assignment, however they are still able to submit an application for residence if they meet one of the residence criteria.

Is there a minimum salary requirement to obtain a long-term work and residence visa for assignments? Can allowances be taken into account for the salary?

All employers must comply with all relevant employment and immigration law in force in New Zealand. Compliance with relevant New Zealand employment and immigration law includes, but is not limited to paying employees, no less than the appropriate minimum wage rate or other contracted industry standard. When considering whether the salary meets requirements, Immigration New Zealand only look at the base salary – i.e., allowances cannot be assessed as part of the salary.

Is there a fast-track process which could expedite the visa/ work visa?

Yes, a request to prioritize an application can be emailed to immigration with a letter from the employer detailing the reasons for the request. Prioritization cannot be guaranteed as this is at the discretion of Immigration New Zealand. To avoid a delay in assignees, travel to New Zealand, it is recommended visa assistance is initiated 3-4 months before commencement date.

At what stage is the employee permitted to start working when applying for a long-term work and residence visa (assignees/ local hire)?

As soon as the visa is issued.

Can a short-term business visa be transferred to a long-term visa in New Zealand?

No, a new visa application will need to be submitted.

Is it possible to renew work and residence visa?

No, new applications will need to be submitted.

Is there a quota or system or a labour market test in place?

Yes, a labour market test is required for applications under the Accredited Employer work visa category. Exceptions for a labour market test are where employment is paid twice the median rate of pay (currently \$59.32 per hour), or the occupation is listed on the Green List and the candidate meets the requirements.

5.4 General Immigration Related Questions

Would it be possible to bring family members to New Zealand?

Yes, partners of certain visa types, who meet the partnership requirements, can join their partner in New Zealand and obtain a partnership-based work or visitor. Dependent children can also be included in the travel group and can obtain a student visa to study as a domestic student, or a visitor visa if they are not old enough for to attend school. Since 31 May 2023, the policy has changed such that the majority of partners of migrant workers will be granted partner work visas that only allow employment for an Accredited Employer in any role that is paid at least the median wage (currently \$29.66 per hour). Partners who do not wish to work can apply to come to New Zealand on a Visitor visa. Partners of migrant workers who meet Green List requirements or are paid twice the median rate of pay (currently \$59.32 per hour) will continue to receive automatic open work rights. Partners can apply to have their work visa upgraded to 'open' work conditions if, at a later date, their spouse's employment meets Green List requirements or is remunerated at or above double the median wage.

Is it possible to obtain a permanent residence visa?

Yes, it is. If you hold a residence visa and have met the requirements, you can apply for a permanent residence visa after 24 months.

What if circumstances change after the Work and Residence application process?

If there are any changes to the visa holder's situation, we would advise the candidate to inform Immigration New Zealand immediately.

How long can a visa holder leave New Zealand without their visa becoming invalid?

Once the visa is activated, it is valid for as long as stated in the visa conditions. If a candidate has left their place of employment (for example), they would be expected to inform Immigration New Zealand within a reasonable timeframe. In a situation like this, the applicant would be given reasonable amount of time to leave New Zealand and their visa would be cancelled. Note that going overseas for an extended amount of time can impact future visa applications.

Must immigration permissions be cancelled by the end of the assignment/employment?

If an employee has left their employment, it is advisable to inform Immigration New Zealand.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Yes. For individuals, non-compliance with immigration law may lead to deportation and the inability to enter New Zealand for 5 years.

For employers, non-compliance with immigration law can lead to substantial fines as well as being placed on the non-compliant employers list, preventing them from recruiting foreign workers. Further penalties may be imposed for breaches not specific to immigration.

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