

# GMS Flash Alert



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## New Zealand - Plans to Amend Certain Nonresident Employer Reporting Obligations

New Zealand's government released the Taxation (Annual Rates for 2022–23, Platform Economy, and Remedial Matters) Bill (the "Bill") which proposes a number of changes to the tax system, including changes to the reporting obligations for nonresident employers with employees working in New Zealand.<sup>1</sup> The Bill is still subject to further review before implementation and the proposed changes may, therefore, be modified.

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### WHY THIS MATTERS

These changes will provide a clearer approach to meeting withholding obligations for nonresident employers, and can provide a lower cost option for compliance in some circumstances. The introduction of a 60-day threshold also introduces a more practical approach to cross-border workers from a tax perspective.

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### Background

Currently, there are obligations for employers who make payments, or provide benefits, subject to tax in New Zealand. These obligations can be inflexible and require substantial information to be collated and provided to Inland Revenue and therefore have led to significant compliance costs.

The proposed changes are aimed at modernising and clarifying the application of these obligations.

## Highlights of Proposed Changes

- A 60-day grace period for complying with New Zealand employer tax obligations (such as PAYE and FBT) if an employee's presence breaches New Zealand domestic law or tax treaty exemptions. This will apply from 1 April 2024.
- A 'safe harbour' from New Zealand employer tax obligations for nonresident employers who have incorrectly determined they have no PAYE or other employment-related tax obligations. This will apply if either:
  - there are two or fewer employees present in New Zealand at any point, or
  - there is less than NZ\$500,000 in gross employment-related taxes during the year.

[NZ\$1 = US\$0.561 | NZ\$1 = A\$0.894 | NZ\$1 = £0.5059 | NZ\$1 = €0.578 (Source: [www.xe.com](http://www.xe.com))]

In such cases, the employee(s) would have to satisfy any New Zealand employment-related obligations (including FBT obligations on any fringe benefits received). This will apply from 1 April 2023.

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## KPMG NOTE

- Recent travel restrictions and lockdowns have required employees to work remotely in many circumstances, and remote working is increasingly becoming a 'new' way of working. New Zealand has seen an influx of remote workers and there are increasing numbers of employees working in New Zealand for overseas employers. The proposed changes may mean that we see an increase in the number of cases where employees will become responsible for their own tax withholding obligations in New Zealand.
- The changes appear to point toward New Zealand becoming a jurisdiction with lower employment-tax compliance costs when compared globally.
- The 60-day grace period is a welcome addition to help employers manage the employment tax risk of project overruns that require employees to remain in New Zealand longer than anticipated, for example.

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## FOOTNOTE:

1 For the text of the Bill and related documentation, see the Inland Revenue webpage: <https://taxpolicy.ird.govt.nz/bills/53-164> .

For the status and text of the Bill, and related documentation, see the New Zealand Parliament's webpage; [https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL\\_126039/taxation-annual-rates-for-2022-23-platform-economy-and](https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_126039/taxation-annual-rates-for-2022-23-platform-economy-and) .

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