

INPATRIATES

New Zealand

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

An inbound assignee will become tax resident where they are present in New Zealand for 183 days or more in any 12-month period or they acquire a permanent place of abode in New Zealand.

They are deemed to be tax resident from the earlier of the first day of the 183 days present or the date they acquire a permanent place of abode. The permanent place of abode test is wider than just having a place to stay.

If an individual is a tax resident, they will be subject to tax on their worldwide income, and depending on their sources of income, may need to file an individual tax return (IR3).

An individual who remains a non-resident and derives New Zealand sourced income may also need to file an individual tax return (IR3NR).

Transitional Resident

Where an individual has not previously been in New Zealand but becomes tax resident under the above tests, they may be eligible for the transitional resident exemption.

This exemption applies for the first 48 months and provides that the individual will be liable to tax only in respect of their New Zealand sourced income or any foreign sourced employment income. Any other worldwide income will not be liable to New Zealand tax during the exemption period.

An individual who is returning to New Zealand may qualify as a transitional resident if they have not been tax resident in the preceding ten years.

REGISTRATION/FORMALITIES

When the individual arrives in New Zealand, he/she must obtain an Inland Revenue Department (“IRD”) number. The application process requires the individual to attend in person at Inland Revenue or at another authorised agency.

Once the individual has obtained an IRD number they should complete a tax declaration code certificate and submit this to their employer. This certificate determines the correct tax rate that should be applied to deductions of payroll tax (PAYE) from salary and wages.

INCOME TAX RATES (2019)

Taxable Income (in NZD)	Tax Rates *
0 - 14,000	10.5%
14,001 - 48,000	17.5%
48,0001 - 70,000	30%
70,001 +	33%

* Income tax rates stay the same for each individual, regardless of whether they are a resident or not.

Employment Income

New Zealand has a pay as you earn (“PAYE”) system for individual salary and wage earners. The employer deducts the 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 deducted from salary and wages together with the PAYE tax.

The ACC earners levy is charged at 1.21% on a minimum amount of income of \$36,816 through to a maximum of \$128,470 for the year to 31 March 2020.

SOCIAL SECURITY CONTRIBUTIONS

New Zealand has a mandatory superannuation scheme called KiwiSaver. Individuals can only join KiwiSaver if they are currently living, or normally live in New Zealand and are a New Zealand citizen, or are entitled to live in New Zealand indefinitely.

If an individual is eligible to join KiwiSaver, they are automatically enrolled. If the Individual does not wish to participate, they must opt out of the scheme 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.

If an employee is contributing to a KiwiSaver scheme, then their employer has a statutory obligation to contribute a minimum 3% amount to the employee’s KiwiSaver Fund.

FOREIGN SUPERANUATION

Where an employer continues to make contributions to an inbound assignee’s foreign superannuation scheme this may create a fringe benefit tax obligation for the employer in NZ.

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

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