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EXEMPTIONS FROM NZ INCOME TAX FOR SHORT-TERM VISITS

1. The following are the circumstances in which non-residents, who derive income during short-term visits to NZ, are exempt from NZ income tax.

Personal or professional services income from short-term visits

2. Income that a non-resident person derives in a NZ tax year (from 1 April to 31 March) from performing personal or professional services in New Zealand during a visit is exempt income if all the following requirements are met:

   (a) The visit is for 92 days or less, counting the days of arrival and departure.

   (b) The total number of days that the person is in New Zealand during the tax year is 92 or less.

   (c) The services are performed for, or on behalf, of a nonresident.

   (d) The non-resident person is taxable on the income in their country of residence.

3. This exemption does not apply to a public entertainer: circus performers, dancers, lecturers, motion picture artists, musicians, radio artists, singers, television artists, theater artists, athletes, boxers, wrestlers, and other professional sportspersons (see below).

   [Section CW 19]

Income of overseas experts and trainees in NZ by government arrangement

4. Income that a non-resident person derives from personal or professional services, or from a receipt of maintenance, an allowance, or a bursary or scholarship, during a visit to New Zealand, is exempt income if all the following requirements are met:

   (a) The services are performed for, or on behalf of, a nonresident employer.

   (b) The purpose of the visit is, to provide professional or expert advice or assistance, or teaching or lecturing, or making investigations, or receiving education, training or experience.

   (c) The visit occurs under an arrangement for assistance entered into by the New Zealand government.

   [Section CW 22]

Amounts derived by visiting entertainers or sportspersons

5. A non-resident entertainer is a person who carries out an activity or performance in connection with any of the following:

   (a) A solo or group performance by actors, comperes, dancers, entertainers, musicians, singers, or other artists, whether for cultural, educational, entertainment, religious, or other purposes.

   (b) Lectures, speeches, or talks for any purpose.

   (c) A sporting event or sporting competition of any nature.

6. The income of a non-resident entertainer derived from carrying out their activity or performance during a visit to New Zealand will be exempt from NZ income tax in any of the following circumstances:

   (a) If the activity or performance occurs under a cultural program of the New Zealand government or an overseas government.

   (b) If the activity or performance occurs under a cultural program wholly or partly sponsored by the New Zealand government or an overseas government.

   (c) If the activity or performance occurs as part of a program of an overseas foundation, trust or other organization that–

      (i) Exists wholly or partly to promote cultural activity; and

      (ii) Is not carried on for the private pecuniary profit of any member, proprietor or shareholder.

   (d) If the activity or performance relates to a game or sport in New Zealand and the participants are official representatives of the body that administers the game or sport in an overseas country.

7. If the income derived by a non-resident entertainer would be exempt on the basis of the above criteria, then that income is also exempt if it is derived by the person who provides the services of a non-resident entertainer during their visit to New Zealand in their capacity as:

   (a) The entertainer’s employer.

   (b) A company of which the entertainer is an officer.

   (c) A firm of which the entertainer is a principle.

   [Section CW 20]

Inland Revenue has published the following at the following website address:

http://www.ird.govt.nz/international/comingleaving/coming/payingtax/coming-to-nz-payingtax.html

Paying tax in New Zealand

What income is taxable in New Zealand

8. New Zealand taxes income on both a residency and a source basis.

New Zealand residents

9. If you are a resident of New Zealand for tax purposes, you will be taxed in New Zealand on all of your "worldwide income". This is income derived from New Zealand as well as income derived from all other countries.

Note

10. Your worldwide income includes any income that you derive in a foreign country even if you do not bring the money into New Zealand. For example, your worldwide income could include:

(a) An amount of interest you derive from funds you have in an offshore bank account

(b) Rental income

(c) Salary and wages paid both by New Zealand companies and offshore companies

11. If you have derived overseas income that has also been taxed in the overseas country, you may be entitled to a credit for the tax already paid. The available credit is limited to the lesser of tax payable in New Zealand on the income or the tax paid offshore. This is an attempt to ensure that the same income is not taxed twice.

Example

12. Jodi is a New Zealand resident for tax purposes. She received total income from New Zealand sources of $100,000 in the 2010 income year. She also worked in the United Kingdom for two months in the 2010 income year and received a salary of $25,000. The United Kingdom taxes this income at a rate of 20%. Jodi pays $5,000 to the United Kingdom Revenue.

13. Jodi is required to file a personal income tax return in New Zealand. She will be required to return her New Zealand income and her United Kingdom income. Jodi's United Kingdom income will be taxed at 33% (i.e. at a rate higher than the UK rate), therefore, she will be entitled to claim a tax credit for the full amount of tax she has paid in the United Kingdom.

New Zealand source income

14. New Zealand will also tax income derived by a non-resident if it has a New Zealand source. This is known as **source based taxation**. Generally, income will have a New Zealand source if it has a connection with New Zealand. Some examples of incomes with a New Zealand source include:

    (a) Income derived from employment performed in New Zealand even if the employer is a non-resident

    (b) Pensions paid by the New Zealand government

    (c) Dividends paid by New Zealand companies.

Note

15. New Zealand's right to tax income as outlined above may change if a double tax agreement applies. A double tax agreement may remove New Zealand's right to tax a particular type of income.

Transitional residents

16. New Zealand has a temporary exemption that may apply to you if you have become a New Zealand tax resident after 1 April 2006

What to do if you are earning income in New Zealand

17. If you are earning income in New Zealand, you need to ensure that you apply for an IRD number

18. If the only income you derive is from a PAYE income payment (e.g salary or wages, cash allowances, cash bonuses) and it has had the correct amount of PAYE deducted, you will have no further tax obligations in relation to that income.

Note

19. You may be required to file a New Zealand income tax return if you have received income from New Zealand which has not had tax deducted.

Short term visits

20. If you come to New Zealand to work and you expect to be in New Zealand for less than 183 days, any income you earn from employment during your visit, may not be liable for tax. There are two circumstances where this will apply:

    (a) Short term visit exemption This exemption applies if:

        (i) Your stay in New Zealand is for 92 days or less, counting the days of your arrival and departure as a whole day each; and

        (ii) The total number of days that you are present in New Zealand in the tax year (1 April to 31 March) is 92 days or less; and

        (iii) You are working for an employer that is not resident in New Zealand; and

        (iv) The income you earn while in New Zealand is taxed in your home country (the country where you are tax resident)

(b) Double tax agreement exemption This exemption applies if:

(i) You are a tax resident of a country that New Zealand has a double tax agreement with; and

(ii) Your stay in New Zealand is for no more than 183 days in any 12 month period or in any income year (depends on double tax agreement); and

(iii) The income you earn during this period is paid by an employer that is not resident in New Zealand; and

(iv) Your employer does not have operations in New Zealand that takes a deduction for the income paid to you.

Important

21. If you think that this exemption may apply to you, read the double tax agreement carefully as the wording of each agreement is different.

22. If you are not sure how long you will be in New Zealand it is important that you contact us as soon as possible after you arrive because if you are in New Zealand for more than 183 days, any income you received is liable to tax from the date you first arrived in New Zealand.

How do you pay tax in New Zealand

Employment income

23. New Zealand has a pay as you earn system ("PAYE") for people on salary and wages. This means that tax is deducted by your employer before the payments are made to you. Your employer then pays the tax deducted to Inland Revenue on your behalf.

24. You give your employer your IRD number and tax will be deducted from your salary and wages and paid to Inland Revenue on your behalf.

25. Tax will be deducted from your salary/wage payments at the applicable marginal tax rate.

Rental or business income

26. When you receive rental or business income, you need to:

(a) Keep records

(b) Fill in an *Individual tax return (IR3)* every year.

Goods and services tax (GST)

27. Goods and services tax (GST) is a tax imposed on most goods and services in New Zealand, most imported goods, and certain imported services. GST is added to the price of taxable goods and services at a rate of 15%.

28. You need to register for GST if you carry out a taxable activity with turnover above $60,000 over a 12-month period.

Offshore income and investments

29. As a New Zealand tax resident, there are tax implications on your income from offshore sources such as:

    (a) shares in a foreign company

    (b) Rental property overseas

    (c) Bank accounts

    (d) Foreign pension scheme

30. **Provisional tax**

31. This is not a separate tax but a way of paying your income tax in instalments during the year, based on what you expect your tax bill to be.

32. If you had income tax of more than $2,500 to pay at the end of any tax year you may have to pay provisional tax for the following year. The amount of provisional tax you pay is then deducted from your tax bill at the end of the year.

Do you need to file an income tax return in New Zealand

33. Not everyone who derives income in New Zealand and/or is a New Zealand tax resident is required to file an income tax return.

34. If you only derive income from salary, wages, interest, dividends, and/or taxable Māori authority distributions (with the correct tax deducted at source), you are not required to file an annual income tax return.

Example

35. Marnie works for the New Zealand Government. She receives a salary of $50,000 per annum. When she receives her fortnightly salary payment, PAYE has already been deducted. Marnie also receives interest from her bank on the savings she has accumulated. Before the interest is paid to Marnie, the bank deducts withholding tax at the correct rate. These are the only two income streams Marnie has. Accordingly, Marnie is not required to file an annual income tax return in New Zealand.

Your tax obligations if you are earning employment income

36. Most payments you receive from your employer will be subject to tax in New Zealand. How this tax is collected will depend on whether or not:

    (a) The payment is a PAYE income payment

    (b) You are a New Zealand tax resident

    (c) Your employer is a New Zealand tax resident, and

    (d) The services are performed in New Zealand.

37. It does not matter if your employer is based overseas.

PAYE income payments

38. If you receive a PAYE income payment from your employer, your employer must deduct the tax and pay it to us on your behalf. This is administered via our PAYE system.

39. The above PAYE rules apply if:

    (a) You are a New Zealand tax resident and perform services in New Zealand, or

    (b) You are not a New Zealand tax resident and you perform services in New Zealand, or

    (c) You are a New Zealand tax resident employed by a New Zealand-based employer and you perform services overseas (you may be able to apply for a reduced or zero rate certificate if you have to pay tax overseas)

40. It is your employer's obligation to withhold PAYE from any PAYE income payment you receive however if this is not done, you will be liable. Our form *IR56 taxpayer registration (IR359)* enables you to register if you are paying your own PAYE

Superannuation schemes in New Zealand

41. Unlike other countries, New Zealand does not have a compulsory superannuation scheme. New Zealand has a voluntary superannuation scheme known as KiwiSaver. KiwiSaver is a voluntary, employment based savings initiative to help you with your long-term saving for retirement.

42. You are **only** able to join KiwiSaver if:

    (a) You are currently living, or normally live in New Zealand; and

    (b) You are a New Zealand citizen or you are entitled to live in New Zealand indefinitely, in terms of the Immigration Act 2009

Note

43. Your ability to join KiwiSaver does not depend on your tax residency status but on your residency for immigration purposes.

44. If you are eligible to join KiwiSaver, you will be automatically enrolled when you start a new job. If you do not wish to participate, you will need to opt out. Your employer should be able to assist you with this.

45. Your employer may also administer its own superannuation scheme.

What if I have retirement savings in my home country?

46. If you are a New Zealand tax resident and have foreign retirement savings, these savings may be taxable in New Zealand. There are many types of foreign retirement savings and these may include:

    (a) An interest in an employment related foreign pension plan or retirement savings scheme

    (b) An interest in a non-employment related foreign pension plan or retirement savings scheme

    (c) Amounts set aside in an individual retirement savings account

    (d) An entitlement to receive a pension from the Government or some other statutory body

47. How these are taxed in New Zealand will depend on how we classify the retirement savings for New Zealand tax purposes (e.g. foreign investment fund, company, unit trust, or foreign trust). It is possible that you may be taxed on one or all of the following:

    (a) Any contributions you make;

    (b) Any growth in your savings;

    (c) Any distributions you receive

48. If you are a transitional resident, then your foreign retirement savings will not be taxable until you stop being a transitional resident.

49. This is a very complicated area so if you have foreign retirement savings, you may wish to seek professional advice.

Date published: 13 Oct 2011