DOING BUSINESS IN NEW ZEALAND
2022

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DOING BUSINESS IN NEW ZEALAND

JANUARY 2022

BDO

INTRODUCTION

This publication has been prepared by the International Bureau of Fiscal Documentation (IBFD) for BDO, its clients and prospective clients. Its aim is to provide the essential background information on the taxation aspects of setting up and running a business in this country. It is of use to anyone who is thinking of establishing a business in this country as a separate entity, as a branch of a foreign company or as a subsidiary of an existing foreign company. It also covers the essential background tax information for individuals considering coming to work or live permanently in this country.

This publication covers the most common forms of business entity and the taxation aspects of running or working for such a business. For individual taxpayers, the important taxes to which individuals are likely to be subject are dealt with in some detail. We have endeavoured to include the most important issues, but it is not feasible to discuss every subject in comprehensive detail within this format. If you would like to know more, please contact the BDO firm(s) with which you normally deal. Your adviser will be able to provide you with information on any further issues and on the impact of any legislation and developments subsequent to the date mentioned at the heading of each chapter.

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NEW ZEALAND

This chapter is based on information available up to 1 January 2022.

Introduction

Companies are subject to income tax on corporate profits. Capital gains are generally not taxable. A goods and services tax (GST) is also imposed on the supply of goods and services, including the provision of fringe benefits, and on importations.

The tax system applies to the whole country and is administered by the Inland Revenue.

There are no social security contributions required to be made, but various levies and contributions to superannuation funds may be payable by employers.

The currency is the New Zealand dollar (NZD).

Inland Revenue has implemented and/or clarified various tax measures in response to COVID-19, some of which are discussed in this chapter:

- clarification (Interpretation Statement IS21/04) on deductions for businesses disrupted by the COVID-19 pandemic (*see* section 1.3.3.);
- depreciation on non-residential buildings (*see* section 1.3.4.);
- increased cost threshold for deduction of low-value assets (*see* section 1.3.4.);
- loss carry-back (*see* section 1.5.1.);
- flexibility for various tax obligations arising from 17 March 2020 (*see* section 1.8.);
- extension of deadline for re-estimation of provisional tax (*see* section 1.8.3.); and
- GST exemption for wage subsidies (*see* section 8.6.).

1. Corporate Income Tax

1.1. *Type of tax system*

New Zealand operates an imputation system. Payments of tax by a resident company give rise to “imputation credits”, which the company can attach to its dividends when paying them out to its shareholders. Payments of dividends reduce the company’s available imputation credits.

The dividends are grossed up in shareholders’ hands by the value of imputation credits attached to the dividends. The value of those imputation credits is limited by the amount of income tax paid by the distributing company. The shareholders can use the attached imputation credits as tax credits against their tax liability. Corporate recipients may convert excess imputation credits into tax losses (*see* section 1.5.1.).

Under the Trans-Tasman imputation system, a New Zealand company may elect an Australian franking system, whereby its Australian investors are allowed to use the franking credits in respect of the company’s Australian income. Conversely, companies resident in Australia may elect the New Zealand imputation system.

1.2. *Taxable persons*

Corporate income tax is levied on companies, being a body corporate, as well as on unit trusts, incorporated societies and clubs, certain registered societies, credit unions, Maori authorities and state enterprises. Charities registered under the Charities Act 2005 are exempt from income tax.

A company is defined for tax purposes as any body corporate or other entity with a legal personality or existence distinct from its members, irrespective of where it is incorporated or created. The definition also includes any entity which the tax legislation deems to be a company, e.g. a unit trust. This chapter is restricted to New Zealand-incorporated listed and non-listed bodies corporate, as well as foreign-incorporated entities of a similar description, whether resident or non-resident. These entities will be referred to as companies.

A New Zealand resident company of five or fewer shareholders may elect to become a “look-through company” (LTC). An LTC is a transparent entity whose income, expenses, tax credits, gains and losses are passed through to the individual owners in proportion to their effective interest in the company. The shareholders must be natural persons or corporate trustees, and all shares must have equal rights to distributions. The taxable income is taxed in the hands of the owners at their marginal tax rates. The losses are subject to a loss limitation rule under which owners can only offset tax losses up to the value of their economic interests in the company.

Partnerships are either general or limited partnerships. A general partnership is not a separate legal entity, while a limited partnership is a separate legal entity. A partnership, general or limited, is not subject to income tax as a separate entity, but each partner is individually assessed. However, partners must make a joint return of income of the partnership and each partner’s share of that income. In a general partnership, losses are attributed to each partner in accordance with the partner’s interest in the partnership. In a limited partnership, the partners’ share of loss for the year is limited to the value of their investment in the partnership, and any loss not claimed is carried forward to the next income year.

1.2.1. Residence

A company is resident in New Zealand if it is incorporated in New Zealand, has its head office or its centre of management in New Zealand, or control and decision-making by its directors are exercised in New Zealand.

1.3. Taxable income

1.3.1. General

Resident companies are subject to income tax on their worldwide income.

The taxable income for an income year is determined by subtracting allowable deductions from assessable income. Assessable income is determined by reference to the provisions of the Income Tax Act 2007 (ITA), and not being exempt or excluded income under the ITA. Excluded income is listed in the ITA to include such items as fringe benefit tax, goods and services tax and superannuation contributions made by employers.

Generally, a receipt of a capital nature is not assessable income.

Income is calculated for an income year, normally 1 April to 31 March, on an accrual basis. Some taxpayers are allowed to calculate taxable income on a cash basis.

1.3.2. Exempt income

Income is exempt if it is derived by an exempt taxpayer (*see* section 1.2.) or is exempt income.

Exempt income includes capital gains and other amounts which are not ordinary income, as well as amounts specifically listed as exempt in the ITA, such as group dividends and certain foreign dividends. Domestic non-group dividends are not exempt from income tax.

1.3.3. Deductions

The general permission allows an amount of expenditure (including a depreciation loss) as a deduction if it is incurred in deriving assessable or excluded income; or it is incurred in the course of carrying on a business for the purpose of deriving assessable or excluded income. There are six general limitations set out in the ITA, which exclude the following expenditure or loss from allowable deductions:

- items of a capital nature;
- items of a private nature;
- expenditure incurred in deriving exempt income;
- expenditure incurred in deriving income from employment;
- expenditure incurred in deriving schedular income subject to withholding tax; and
- expenditure incurred in deriving non-residents' foreign-sourced income.

In addition, no deduction is allowed for expenses if a specific provision in the ITA makes them non-deductible. There is a limit on the deductibility of some expenses, e.g. the spreading of prepaid expenses under the financial arrangement rules, 50% of some entertainment expenses, and expenditure on mixed-use assets.

Dividends are not deductible. Interest is deductible under the general deductibility rules above, but may be subject to financial arrangement rules. Royalties are normally deductible.

Generally, a deduction is allowed in the year in which the expenditure was incurred.

Interpretation Statement IS21/04, Income tax and GST – deductions for businesses disrupted by the COVID-19 pandemic sets out Inland Revenue's view on whether deductions for expenditure or losses can be claimed where a business has been downscaled or has stopped operating because of the COVID-19 pandemic. Broadly, an income tax deduction will usually be allowed where a business has downscaled or ceased operating temporarily, e.g. during lockdowns, but will usually be disallowed where a business has completely ceased, even if it is possible that the business may restart later.

1.3.4. Depreciation and amortization

Business tangible assets can be depreciated using the straight-line method or the diminishing-value method over the effective life of the asset, which is its economic life as per the determination of the Commissioner of Inland Revenue (CIR). It is possible to switch between the two methods from one year to another. The CIR has set rates of depreciation for each type of asset in an extensive list, which have become the "standard" rates used. The rates applicable to particular assets are set out in the schedule to Determination DEP1: Tax Depreciation Rates General Determination Number 1, as amended by Determination DEP56. A special rate applies to international passenger aircraft, being 15% under the diminishing-value method or 10% under the straight-line method.

A third method of calculating depreciation is the pool method. No asset joining the pool can have a value higher than NZD 5,000. The rate of depreciation is the lowest rate applicable to any asset in the pool.

Low-value assets can be expensed in full in the year of purchase. As part of the government's COVID-19 response, the cost threshold was increased from NZD 500 to NZD 5,000 for assets purchased during the 12 months from 17 March 2020 to 16 March 2021 (inclusive), and will be NZD 1,000 for assets purchased on or after 17 March 2021.

When an asset is first acquired, depreciation may be claimed from the beginning of each month or part of the month the asset is first used or available for use. No depreciation can be claimed in the income year in which an asset is disposed of, except for buildings and petroleum assets.

Depreciation cannot be claimed on residential buildings with an expected life of 50 years or more, and on land. However, depreciation deductions for new and existing non-residential buildings were introduced as part of the government's COVID-19 assistance package. Depreciation is at the rates of 2% diminishing value or 1.5% straight line for the 2020/21 and later income years.

Intangible assets (e.g. goodwill) cannot be depreciated unless the asset is included in the list of allowable intangible assets (patents, copyrights, software, rights to use secret formulas or processes, etc.). The effective life of an intangible asset is its legal life.

Feasibility expenditure in completing, creating or acquiring tangible and intangible assets that are subsequently abandoned is deductible in equal portions over 5 years from the year of abandonment. An immediate deduction is allowed for such expenditure that does not exceed NZD10,000. If abandoned property is later completed, created or acquired, the deductions will be treated as income.

It is not compulsory to deduct a depreciation expense, but it is not possible to defer depreciation once the asset is ready for use.

1.3.5. Reserves and provisions

Generally, income is recognized when earned and deductions are allowed when the underlying expenses are incurred (the exact timing will depend on whether the cash or accrual method is used). Accordingly, reserves or provisions usually cannot be taken into account for tax purposes. A limited deduction may be available for a reserve for quick payment discounts. The CIR may also allow a deduction for a specific provision, such as for maintenance as part of the cost of after-sales service which the taxpayer is contractually bound to provide.

As an exception, a deduction for an estimate of future claims is allowed for insurers, reinsurers and self-insurers.

1.4. *Capital gains*

Capital gains are generally not taxable. However, some amounts are specifically included in taxable income, for example gains from a sale of land acquired for the purpose of disposal, and residential land (not being the main family home or inherited property) sold within 10 years of its acquisition. When the vendor is an offshore person, the sale of residential property falling under the bright-line test is subject to residential land withholding tax (*see* section 6.3.4.).

1.5. *Losses*

1.5.1. Ordinary losses

A loss is an excess of allowable deductions over assessable income. Losses can be carried forward indefinitely to offset future net income. Prior-year losses may only be used if a continuity-of-ownership test is met in relation to the losses, unless the loss is a mining loss. The test requires maintaining at least 49% of voting interest throughout the continuity period.

Where the continuity of ownership test is not satisfied, a loss may still be carried forward if there has been no major change in the nature of the company's business activities from the time of the ownership continuity breach until the end of the year of utilization of the loss, subject to a maximum period of 5 years.

Companies may choose whether a prior-year loss is utilized in the current year and are able to convert excess imputation credits into tax losses.

Losses can be transferred between companies with at least 66% common ownership, subject to limitations.

The carry-back of losses is usually not permitted. However, in response to the economic crisis induced by COVID-19, a temporary carry-back regime has been introduced to allow tax losses to be carried back for 1 year. Businesses that are or anticipate being in a loss position in the 2019/20 or 2020/21 income years are able to carry back some or all of their losses for offset against a profit in the immediately preceding income year, and to receive refunds of previously paid tax before the loss year is finished and before an income tax return has been filed for the loss year.

1.5.2. Capital losses

It is not possible to claim a capital loss for tax purposes since there is no tax on capital gains.

1.6. *Rates*

1.6.1. Income and capital gains

Corporate income tax is levied at 28%. There is no tax on capital gains.

1.6.2. Withholding taxes on domestic payments

The applicable rates of resident withholding tax are:

Income	*Rate (%)*
Dividends	33
Interest:	
- tax file number provided	28[1]
- no tax file number provided	45

1. Where a tax file number has been supplied, the recipient may elect to apply a rate of 33% (33% or 39% from 1 October 2021).

The withholding tax is not final and any taxes withheld can be used as a credit against tax liability.

See section 6.3. for withholding rates on payments to non-residents.

1.7. *Incentives*

Concessional treatment is available to farming, fishing and agriculture businesses, as well as for forestry and mining operations. A tax credit of 15% is available for research and development expenditure, subject to a minimum research and development expenditure of NZD 50,000 per year, with a cap of NZD 120 million.

1.8. *Administration*

The tax authority has been given discretionary power to allow flexibility in determining due dates, deadlines, time periods, time frames, and procedural and administrative requirements for taxpayers affected by COVID-19 such that meeting tax obligations is impossible, impractical or unreasonable. The discretion applies from 30 April 2020 with respect to tax obligations that arose from 17 March 2020, and lasts until 30 September 2022 unless extended.

1.8.1. Taxable period

Income tax is imposed in a year of assessment on the taxable income derived during the tax year. A tax year normally commences on 1 April and ends on 31 March.

In certain circumstances, the CIR may permit the substitution of a different accounting period as the income year.

1.8.2. Tax returns and assessment

Corporate income tax returns must be filed by the seventh day of the fourth month after the end of the tax year (i.e. by 7 July for a 31 March year-end). An extension may be granted if the tax return is lodged via a tax agent.

Companies self-assess their taxation liability. Filed returns can only be amended if the CIR allows the amendment, generally up to 4 years after the assessment was made. Non-active companies are not required to file returns.

1.8.3. Payment of tax

Generally, business taxpayers are required to make three advance payments of provisional tax during the tax year. A “provisional taxpayer” is a taxpayer whose “residual income tax” (essentially income tax not deducted at source) is NZD 2,500 or more in the income year (NZD 5,000 for the 2020/21 and later income years).

The advance payments can be calculated using one of the following methods:

- Standard method: the general rule is that the provisional tax payable is 105% of the residual income tax for the previous year. Where no return of income has been filed by the first or second instalment dates, the first instalment, or the first and second instalments, will be based on 110% of residual income tax for the year before the previous year. The amount of the uplift is modified by changes in the tax rates. A taxpayer using the standard method, and whose expected residual income tax is NZD 60,000 or more, may calculate their final instalment of provisional tax based on their expected residual income tax less provisional tax paid for the year, and still remain under the standard method.
- Estimation method: a taxpayer may make a voluntary estimate (which is fair and reasonable) of the amount of residual tax for the year. The provisional tax payable will be the amount of residual income tax estimated and the payments are due as for the standard method.
- GST-ratio method: a taxpayer may use the GST-ratio method if in the preceding income year its residual income tax, as assessed, was more than NZD 2,500, but less than NZD 150,000; it was registered for GST for the whole year; and the ratio of its

residual income tax to total taxable supplies is between zero and 100%. If the tax-payer has monthly or bi-monthly GST returns, the payments are due six times a year.

- Accounting income method (AIM): available for businesses that use IR-approved software and, in most cases, have an annual gross income of less than NZD 5 million.

The CIR may accept a re-estimate of the provisional tax payable if the taxpayer is significantly affected by a self-assessed adverse event. In response to the COVID-19 pandemic, the deadline for re-estimating provisional tax can be extended from the final instalment payment date until the date that the tax return is due or filed, whichever is the earlier.

The provisional tax is paid in three equal instalments during the year, being approximately 5 months, 9 months and 13 months after the balance date of the previous income year. For example, the due dates of provisional tax for taxpayers with a 31 March balance date are 28 August, 15 January and 7 May. However, if the taxpayer files GST returns on a 6-monthly basis, it may pay provisional tax twice a year on the dates the payment for GST is due.

The terminal tax is due by the seventh day of the eleventh month following the end of the tax year (i.e. by 7 February of the next year for a 31 March year-end). The due date for the terminal payment may be deferred if the company's affairs are managed by a tax agent. The terminal payment is calculated as the self-assessed tax liability as shown in the tax return, less the three instalments made for that year. If the instalments exceed the self-assessed liability, the balance is refunded.

1.8.4. Rulings

The CIR is empowered to issue binding rulings, non-binding statements, statutory determinations and revenue alerts. Binding rulings include private, public, product and status rulings and are binding on the CIR. However, because binding rulings do not have the status of primary or secondary law, they do not bind taxpayers. Non-binding statements aim to assist with general interpretation of tax law and may be a result of a taxpayer's specific query. Statutory determinations assist with the administration of specific provisions, such as the use of a formula.

The CIR charges a cost recovery fee for a binding private, product or status ruling, but has discretion to waive part or all of the fee.

A person may apply for a short-process ruling on how a taxation law applies, or would apply, to a person in relation to a particular set of circumstances and a tax type to which the circumstances relate. The requirements for a short-process ruling are:

- the person's annual gross income for the tax year before that in which the application is made was NZD 20 million or less; and
- the person is seeking a ruling on a matter concerning a tax (other than provisional tax), duty or levy that is expected to amount to less than NZD 1 million.

A revenue alert gives a warning as to how the CIR will pursue what it considers an incorrect interpretation of the law.

2. Transactions between Resident Companies

2.1. *Group treatment*

Wholly owned groups can elect to be taxed on a consolidated basis. Only New Zealand resident companies can be members of a consolidated group. Transactions between the members of a consolidated group are ignored.

2.2. *Intercompany dividends*

Dividends are not taxed if they are received from a wholly owned subsidiary. Otherwise, dividends with attached imputation credits are included in assessable income, but a credit is allowed for the imputation credits (*see* section 1.1.). *See* section 6.1.1. for foreign-sourced dividends, and section 6.3.1. for dividends derived by non-residents.

3. Other Taxes on Income

There are no other taxes on income in New Zealand.

4. Taxes on Payroll

4.1. *Payroll tax*

There is no payroll tax.

4.2. *Social security contributions*

No social security contributions are required to be made (but *see* sections 4.3.2. and 4.3.3.).

4.3. *Other taxes*

4.3.1. Fringe benefits tax

Fringe benefits tax is a tax levied on and paid by the employer in respect of benefits provided to employees, in kind or otherwise, e.g. provision of motor vehicle, low-interest loans, fully paid holidays and payment of expenses (*see* Individual Taxation section 1.3.2.).

4.3.2. Accident compensation levies

WorkPlace Cover

The WorkPlace Cover (work levy) covers claims for all work-related injuries.

The levy is prescribed annually by regulation and varies according to the classification of the industry in which an employer operates, such that employers that operate in industries with a high accident rate incur a higher levy than those that do not. The levy is payable by employers (based on the employee payroll) and self-employed persons.

The maximum earnings on which the levy is payable by an employer in respect of any one employee is NZD 130,911 for the 2020/21 and 2021/22 income years.

Earners' Account levy

The Earners' Account levy is imposed on all employees and self-employed persons for non-work accidents. It is based on income from salaries and wages, shareholder-employee salaries, salaries of partners in a partnership, salaries or active income of owners of a look-through company and income from self-employment.

The rate of the Earners' Account levy is set at 1.21% of earnings (excluding GST).

The maximum earnings on which the Earners' Account levy is payable by self-employed persons and all other earners is NZD 130,911 for the 2020/21 and 2021/22 income years.

Health and safety levy

A health and safety levy of 8 cents per NZD 100 of an employee's earnings must also be paid by employers, self-employed persons and shareholder-employees.

4.3.3. Employer's superannuation contribution tax

Pension contributions to a superannuation fund in respect of an employee are made by an employer, but are not compulsory unless the contribution is to a KiwiSaver superannuation fund. KiwiSaver is a voluntary work-based savings scheme to which employees can contribute 3%, 4%, 6%, 8% or 10% of their gross salary or wages. The default contribution rate for new employee members is 3%. The compulsory contribution of employers is 3%. Any payments by the employer to defined contribution funds are subject to ESCT at the employee's marginal income tax rate.

4.3.4. Retirement scheme contribution tax

A contribution made for a person to a retirement scheme is subject to RSCT at the retirement scheme withholding rate for that person. The retirement scheme withholding rate is the rate the person notifies the scheme as his prescribed rate, depending on the person's marginal tax rate, or a default rate of 33% (39% from 1 April 2021) will apply.

5. Taxes on Capital

5.1. *Net worth tax*

There is no net worth tax.

5.2. *Real estate tax*

There is no real estate tax.

6. International Aspects

6.1. *Resident companies*

A company is resident in New Zealand if it is incorporated in New Zealand, has a head office or its centre of management in New Zealand, or control and decision-making by its directors are exercised in New Zealand.

6.1.1. Foreign income and capital gains

Resident companies are subject to income tax on their worldwide income, and the tax treatment for foreign income is generally the same as for New Zealand-sourced income (*see* sections 1.3. to 1.7.).

Dividends received by resident companies from non-resident companies are exempt from income tax, subject to the following exclusions:

- dividends from a less than 10% interest in a foreign investment fund (FIF) (*see* section 7.4.) comprising shares in companies listed on an approved index of the Australian Stock Exchange, Australian unit trusts with adequate turnover or distributions, certain venture capital investments into New Zealand companies that have since migrated to a "grey list" country, and shares in Guinness Peat Group plc;

- dividends from fixed-rate foreign equity; and
- deductible foreign equity distributions.

Foreign capital gains are generally not subject to tax.

6.1.2. Foreign losses

Foreign losses are quarantined. *See* section 7.4. for losses attributed from a controlled foreign company.

6.1.3. Foreign capital

There is no net worth tax or real estate tax.

6.1.4. Double taxation relief

An ordinary tax credit is granted, both unilaterally and under tax treaties, if the income would be subject to tax in New Zealand. The credit is subject to both country-by-country and source-by-source limitations, in that the credit for foreign tax paid on income from one class is limited to the amount of New Zealand tax that would be payable on that class of income from the same country. The tax treaties with China (People's Republic), Fiji, India, Korea (Rep.), Malaysia, Papua New Guinea, Singapore and Vietnam contain tax sparing credit provisions.

Excess foreign tax credits cannot be carried forward or refunded.

A credit for underlying tax may be allowed to a 10% direct or indirect shareholder, but the availability of the credit is subject to conditions.

See section 6.3.5. for a list of tax treaties in force.

6.2. *Non-resident companies*

A non-resident company is a company that is not a resident of New Zealand (*see* section 6.1.).

6.2.1. Taxes on income and capital gains

Broadly, non-residents are assessed only on income sourced in New Zealand.

Business income of non-residents derived through a permanent establishment in New Zealand is generally subject to tax under the normal rules for residents (*see* sections 1.3. to 1.7.). There is no branch distributions tax on payments to non-residents by a New Zealand branch.

For an enterprise that is a New Zealand resident or a resident of a country with which New Zealand does not have a tax treaty, a permanent establishment is defined in Schedule 23 of the ITA. For an enterprise that is a resident of a country with which New Zealand has a tax treaty that includes a definition of a permanent establishment, the tax treaty definition applies.

Non-residents deriving the following classes of income are subject to special rules:

- non-resident passive income that is subject to final withholding tax (*see* section 6.3.);
- shipping, general insurance and mining income derived from New Zealand by non-residents;
- specified payments derived from New Zealand by a non-resident entertainer;
- policyholder income that is accounted for by a New Zealand resident life insurance company; and

- certain income derived by a New Zealand resident trustee of a group investment fund.

Capital gains of non-residents are not subject to tax in New Zealand. If a non-resident venture capital investor disposes of shares in certain New Zealand resident companies which were held on revenue account, the gains from the disposal may be exempt from tax. However, when the vendor of residential land is an offshore person falling under a bright-line test, gains from the sale of the property are subject to a withholding tax (*see* section 6.3.4.).

6.2.2. Taxes on capital

There is no net worth tax or real estate tax.

6.2.3. Administration

If income received is subject to final withholding tax and the tax is properly withheld, there should be no filing requirements (*see* section 6.3.). Otherwise, the requirements for non-residents to file tax returns are the same as for residents. *See* section 1.8. for tax compliance and administration.

Special filing requirements may apply to non-residents deriving various classes of income referred to in section 6.2.1. Overseas persons making an investment in significant business assets in New Zealand (broadly more than 25% ownership or control, or investment exceeding NZD 100 million) are required to provide certain tax information including on the investment plan and structure and transfer pricing arrangements.

The due date for payment of terminal tax by a non-resident that has no agent in New Zealand may be up to 6 months later than the ordinary due date (*see* section 1.8.3.).

6.3. *Withholding taxes on payments to non-resident companies*

Non-resident withholding tax (NRWT) is imposed on "non-resident passive income" derived from New Zealand by a non-resident. Non-resident passive income consists of:

- dividends (other than investment society dividends);
- interest and investment society dividends (except where derived by a non-resident carrying on business in New Zealand through a fixed establishment); and
- royalties.

However, income that is exempt from income tax is exempt from NRWT. In addition, income derived in relation to a business in New Zealand through a fixed establishment is not non-resident passive income. Other specific exemptions apply for interest and royalty income.

6.3.1. Dividends

Dividends paid to non-residents are subject to a withholding tax of 30% on the gross amount, which may be reduced by a tax treaty to 15%, or in some cases 5% or zero (*see* section 6.3.5.). The withholding tax is final.

Dividends with attached imputation credits are subject to tax at 15% and may give rise to a foreign investor credit for the recipient, which can be used to reduce the recipient's income tax liability.

The normal rate can also be reduced to 15% where a dividend has a withholding credit attached (*see* section 6.1.1.).

Payments to residents of Australia may be subject to concessional imputation rules under the Trans-Tasman imputation system (*see* section 1.1.).

6.3.2. Interest

Interest paid or accrued to non-residents is subject to a withholding tax of 15% on the gross amount, which may be reduced by a tax treaty. The withholding tax is final, except on payments to an associated person.

Non-resident investors may apply for approved issuer status in which case no withholding tax is payable if the payer pays the approved issuer levy (AIL) of 2%. The approved issuer must register the securities with the CIR and pay the levy before the NRWT liability is reduced to zero. A return must be filed within 20 days from the end of the month in which the interest was paid. An AIL rate of 0% is available for securities traded in New Zealand.

6.3.3. Royalties

Royalties paid or accrued to non-residents are subject to withholding tax of 15% on the gross amount, which may be reduced by a tax treaty. The withholding is not final, except on cultural royalties, i.e. royalties paid for the use, production or reproduction (or the right to do any of these) of any literary, dramatic, musical or artistic work (i.e. not industrial) on which there is a copyright.

6.3.4. Other

Residential land withholding tax (RLWT) is a mechanism under a “bright-line test” to collect income tax payable on gains from the sale of residential property sold within 10 years from the date of purchase. RLWT is not a final tax.

RLWT applies only to an “offshore RLWT person”, which includes companies, limited partnerships and LTCs where:

- the entity is incorporated or registered outside New Zealand, or is constituted under foreign law; or
- more than 25% of the directors, general partners, owners of a look-through interest, or holders of decision-making rights are themselves offshore RLWT persons.

The amount of RLWT payable is the lowest of the following three amounts:

- 33% (or 39% from 1 April 2021 or 28% if the vendor is a company) × (current sale price – vendor’s acquisition cost);
- 10% × the current sale price; and
- current sale price – outstanding local authority rates – security discharge amount.

Contract payments to non-residents are subject to a minimum non-final withholding tax of 15%.

A special withholding regime applies to non-resident shippers and non-life insurers and reinsurers; tax withheld under this regime is not final.

There is no branch profits/remittance tax.

6.3.5. Withholding tax rates chart

This table provides the treaty withholding tax rates for dividend, interest and royalty. The corresponding domestic rates are also specified.

The treaty rate is directly applied.

	Dividends		*Interest*[1]	*Royalties*
	Individuals, companies	*Qualifying companies*		
	(%)	*(%)*	*(%)*	*(%)*
Domestic Rates				
Companies:	15/30	15/30	0/15	15
Individuals:	15/30	n/a	0/15	15
Treaty Rates				
Treaty With:				
Australia	15	0/5[2]	0/10[3,4]	5
Austria	15[5]	15[5]	10[5,6]	10[5]
Belgium	15	15	10	10
Canada	15	5[7]	0/10[3]	5/10[8]
Chile	15	15	10/15[9,10]	5/10[11]
China (People's Rep.)	15	0/5[12]	10	10
Chinese Taipei	15[13]	15[13]	10	10
Czech Republic	15	15	10	10
Denmark	15	15	10	10
Fiji	15	15	10	15
Finland	15 [14]	15[14]	10[15]	10[15]
France	15	15	10	10
Germany	15	15	10	10
Hong Kong	15	0/5[16]	0/10[3]	5
India	15	15	10	10
Indonesia	15	15	10	15
Ireland	15	15	10	10
Italy	15[17]	15[17]	10[17]	10[17]
Japan	15	0[18,19]	0/10[3,20]	5
Korea (Rep.)	15[21]	15[21]	10	10
Malaysia	15	15	15	15
Mexico	15	0/5/15[22]	10	10
Netherlands	15[23]	15[23]	10[23]	10[23]
Norway	15[24]	15[24]	10[24]	10[24]
Papua New Guinea	15	15	10	10
Philippines	15	15	10	15
Poland	15	15	10	10
Russia	15	15	10	10
Samoa	15	5[7]	10	10
Singapore	15[25]	5[7,25]	10[25]	5[25]
South Africa	15	15	10	10
Spain	15[26]	15[26]	10[26]	10[26]
Sweden	15	15	10	10
Switzerland	15[27]	15[27]	10[27]	10[27]
Thailand	15	15	10/15[28,29]	10/15[29,30]
Turkey	15	5/15[31]	10/15[32]	10

	Dividends		Interest[1]	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
United Arab Emirates	15	15	10	10
United Kingdom	15	15	10	10
United States	15	0/5[33]	0/10[3,34]	5[34]
Vietnam	15	5[35]	10	10

1. Many of the treaties provide for an exemption for certain types of interest, e.g. interest paid to or by public bodies and institutions or in relation to sales on credit. Such exemptions are not considered in this column.
2. A rate of 0% applies to dividends paid to a company that has owned directly or indirectly at least 80% of the voting power of the dividend-paying company for a 12- month period ending on the date the dividends are declared, and: (i) the recipient company is a publicly traded company, or (ii) is owned directly or indirectly by one or more such publicly traded companies or by companies which would qualify for treaty benefits in respect of the dividends if they had direct shareholding in the dividend-paying company, or (iii) has received a determination of entitlement to the treaty benefits; and 5% applies to dividends paid to a company that owns directly at least 10% of the voting power of the dividend-paying company. There is no withholding tax on dividends paid to a beneficial owner that holds directly no more than 10% of the voting power of the dividend-paying company, and the beneficial owner is the government, or political subdivision or a local authority thereof (including a government investment fund).
3. The 0% rate applies to interest paid to a bank or other financial institution (as defined) which is unrelated to and dealing wholly independently with the payer, unless (i) in the case of interest arising in New Zealand, it is paid by a person that has not paid approved issuer levy in respect of the interest (nevertheless, the 0% rate will apply if New Zealand does not have an approved issuer levy, or the payer of the interest is not eligible to elect to pay the approved issuer levy, or if the rate of the approved issuer levy payable in respect of such interest exceeds 2% of the gross amount of the interest); or (ii) it is paid as part of an arrangement involving back-to-back loans or other arrangement that is economically equivalent and intended to have a similar effect to back-to-back loans.
   The treaty with Canada includes an additional exception, i.e. if all or any portion of the interest is paid or payable on an obligation that is contingent or dependent on the use of or production from property or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class of shares of the capital stock of a corporation.
4. A most favoured nation clause may be applicable with respect to interest derived by financial institutions. The MFN clause states that if New Zealand concludes a convention with another state with a lower rate, New Zealand shall inform the Government of Australia and shall enter into negotiations with a view to providing comparable treatment.
5. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, New Zealand shall inform the Government of Austria and shall enter into negotiations with a view to providing comparable treatment.
6. Art. 6 of the protocol states that no interest withholding tax will be payable if an approved New Zealand resident borrower, in relation to a registered security, pays the Approved Issuer Levy in accordance with the domestic legislation.
7. The lower rate applies if the beneficial owner is a company that owns at least 10% of the voting rights/power of the company paying the dividends.
8. The lower rate applies to (i) copyright royalties and other similar payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work (excluding royalties in respect of motion picture films and royalties in respect of works on film, videotape or other means of reproduction for use in connection with television broadcasting); or (ii) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience (but not including any such royalty provided in connection with a rental or franchise agreement).
9. The lower rate applies to interest derived from loans granted by banks and insurance companies.
10. A most favoured nation clause may be applicable with respect to interest.

11. The general rate under the treaty is 10%. However, by virtue of a most favoured nation clause, effective from 1 May 2010, the rate is reduced to 5% with respect to royalties which are paid for the use of, or the right to use, any industrial, scientific or commercial equipment. Under the Australia-New Zealand treaty, the rate is 5% for such royalties. *See* the announcement from the New Zealand Inland Revenue for confirmation that diplomatic formalities were completed.
12. The 5% rate applies to dividends received by a company that holds directly at least 25% of the capital of the dividend-paying company throughout a 365-day period that includes the day of the payment of the dividend (ignoring changes of ownership resulting from corporate reorganisation). There is no withholding tax on dividends paid to a beneficial owner that holds directly or indirectly no more than 25% of the voting power of the dividend-paying company, and the beneficial owner is the government, or a public institution or statutory body as specified.
13. A most favoured nation clause may be applicable with respect to dividends. The MFN clause states that if New Zealand concludes a convention with a third country with a lower rate, New Zealand shall inform the Government of Chinese Taipei and shall enter into negotiations with a view to providing comparable treatment.
14. A most favoured nation clause may be applicable with respect to dividends. The MFN clause states that if Finland or New Zealand concludes a convention with another OECD member state with a lower rate, the two governments will undertake to review the appropriate provisions with a view to providing the same treatment.
15. A most favoured nation clause may be applicable with respect to interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, the two governments will undertake to review the appropriate provisions with a view to providing the same treatment.
16. A rate of 5% applies to dividends paid to a company owning directly at least 10% of the voting power of the dividend-paying company; 0% applies to dividends paid to a company owning directly or indirectly at least 50% of the voting power of the dividend-paying company, and which meets specified requirements (listing, eligibility for treaty benefits, etc.).
17. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, New Zealand shall inform the Government of Italy and shall enter into negotiations with a view to providing comparable treatment.
18. The 0% rate applies if the beneficial owner is a company that owns at least 10% of the voting rights of the company paying the dividends, and the beneficial owner has at least 50% of its voting power owned by five or fewer companies. The requirements of a limitation on benefits clause must be met.
19. A most favoured nation clause may be applicable to qualifying dividends. The MFN clause states that if New Zealand concludes a convention with a third country with a lower rate, New Zealand shall inform the Government of Japan and shall enter into negotiations with a view to providing comparable treatment.
20. A most favoured nation clause may be applicable to interest derived by financial institutions. The MFN clause states that if New Zealand concludes a convention with a third country with a lower rate, New Zealand shall inform the Government of Japan and shall enter into negotiations with a view to providing comparable treatment.
21. A most favoured nation clause may be applicable to dividends. The MFN clause states that if New Zealand concludes a convention with third country with a lower rate, New Zealand shall inform the Government of Korea (Rep.) and shall enter into negotiations with a view to providing comparable treatment.
22. The rate under the treaty is 15%. However, by virtue of a most favoured nation clause, effective from 1 May 2010, the rate is reduced to:
    - 5%, with respect to participations of at least 10% of the voting power; and
    - 0%, with respect to specific participations, i.e. a resident of a contracting state is the beneficial owner of at least 80% of the voting power of the dividend-paying company for at least 12 months before the date the dividend is declared and:
      (i) the recipient company is a publicly traded company;
      (ii) the recipient company is owned directly or indirectly by one or more such publicly traded companies or by companies which would be entitled to equivalent benefits under a treaty with its resident state; or
      (iii) the competent authority determines that a main purpose of the dividend distribution is not to take advantage of the treaty benefit.

    Under the Australia and New Zealand treaty, the rates for the above payments are 0% and 5% respectively. *See* the announcement from the New Zealand Inland Revenue for confirmation that diplomatic formalities were completed.

23. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, New Zealand shall inform the Government of the Netherlands and shall enter into negotiations with a view to providing comparable treatment.
24. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, New Zealand shall inform the Government of Norway and shall enter into negotiations with a view to providing comparable treatment.
25. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with a third country with a lower rate, New Zealand shall inform the Government of Singapore and shall enter into negotiations with a view to providing comparable treatment.
26. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, New Zealand shall inform the Government of Spain and shall enter into negotiations with a view to providing comparable treatment.
27. A most favoured nation clause may be applicable with respect to dividends, interest and royalties. The MFN clause states that if New Zealand concludes a convention with another OECD member state with a lower rate, New Zealand shall inform the Government of Switzerland and shall enter into negotiations with a view to providing comparable treatment.
28. The lower rate applies to interest received by a financial institution (including an insurance company), except where the sale is between persons not dealing with each other at arm’s length.
29. A most favoured nation clause may be applicable with respect to interest and royalties. The MFN clause states that if Thailand concludes a convention with a third country with a lower rate, Thailand shall inform the Government of New Zealand and shall enter into negotiations with a view to providing comparable treatment.
30. The lower rate applies in respect of payments for use of or right to use a copyright; or industrial, scientific or commercial equipment; or a motion picture film, television film or videotape or recording, or radio broadcasting tape or recording; or the reception of or right to receive visual images and/or sounds transmitted to the public, or used in connection with television or radio broadcasting transmitted, by satellite, or cable, optic fibre or similar technology.
31. The 5% rate applies to dividends paid to a company that owns directly at least 25% of the capital of the dividend-paying company, provided the dividends are exempt from tax in the country in which the recipient company is resident. The 15% rate applies in all other cases.
32. The 10% rate applies where interest is paid to a bank.
33. The 0% rate applies if a company shareholder owns 80% or more of the voting shares of the dividend-paying company for a 12-month period ending on the date on which entitlement to the dividend is determined and qualifies under certain provisions of the limitation on benefits article of the treaty. The 5% rate applies to dividends paid to a company that owns directly at least 10% of the voting power of the dividend-paying company.
34. A most favoured nation clause may be applicable with respect to interest and royalties. The MFN clause states that if New Zealand concludes a convention with a third country with a lower rate, New Zealand shall inform the Government of the United States and shall enter into negotiations with a view to providing comparable treatment.
35. The rate applies to dividends received by a company that holds directly at least 50% of the voting power in the dividend-paying company.

7. Anti-Avoidance

7.1. *General*

A general anti-avoidance rule exists in the legislation to disregard the tax effect of schemes entered into with the purpose of altering the incidence of income tax, relieving any person from the liability to pay income tax, or reducing or postponing any liability to income tax. Courts may approve the doctrine of fiscal nullity.

There is no specific legislation that aims at counteracting transactions in or with residents in tax havens, although CFC and FIF rules (*see* section 7.4.) may apply to such transactions.

Specific anti-avoidance rules apply to the tax treatment of losses, non-market transactions, dividend stripping, foreign company repatriations, etc. The operation of the imputation regime is also subject to specific anti-avoidance provisions.

New Zealand has also comprehensively incorporated in its domestic legislation the recommendations made in the OECD BEPS Action Plan relating to hybrid mismatches.

7.2. *Transfer pricing*

New Zealand legislation explicitly states that the provisions of the ITA apply consistently with the OECD Transfer Pricing Guidelines.

There is no legal requirement to use the Master File and Local File approach, but IR considers that this approach provides a useful way for taxpayers with transfer pricing risks to show their compliance with the arm's length principle. Country-by-Country reporting is required for corporate groups headquartered in New Zealand with annual consolidated group revenue exceeding the equivalent of EUR 750 million.

The onus of proof in respect of transfer pricing issues lies with the taxpayer, not with IR.

The time limit for IR to amend a tax return is 7 years in relation to a transfer pricing issue, instead of the normal 4 years (*see* section 1.8.2.).

7.3. *Thin capitalization*

Thin capitalization rules generally apply to a New Zealand company controlled by non-residents to deny deductions of interest that may be attributable to excessive debt of the resident. The regime has been extended to include a New Zealand resident that controls or has an income interest in a CFC, or an income interest in a foreign investment fund (FIF) for which the attributable FIF income method is used or the exemption for FIFs resident in Australia (*see* section 7.4.). Excessive debt normally exists where the New Zealand group debt percentage exceeds both the safe-harbour ratio of 60% and 110% in respect of the worldwide group of entities of which the New Zealand taxpayer is a part.

The percentages are calculated as a proportion of total debt (in relation to which the taxpayer or a group member is able to claim a deduction) to total assets less non-debt liabilities. Accordingly, interest-free loans are excluded.

An alternative test is available for low-asset New Zealand-based multinational groups, if certain conditions are met. The thin capitalization test is then a ratio of net interest expense to net income, rather than the debt-to-asset ratio. To the extent that the ratio for the New Zealand group is less than the lower of 50% and 110% of the ratio for the worldwide group, interest deductions will be allowed. If these conditions are not met, some interest deductions may be disallowed.

Entities that carry out long-term infrastructure projects have a limited exemption from the thin capitalization rules.

7.4. *Controlled foreign company*

Controlled foreign company (CFC) rules aim to attribute the income of a foreign company controlled by New Zealand residents to its New Zealand controllers.

CFC rules apply to both companies and individuals. A company is a CFC if five or fewer residents have 50% associate-inclusive control, or a single resident has 40% associate-inclusive control, or a group of five or fewer residents has actual control, of the company.

Where a New Zealand resident, together with its associates, holds an income interest of 10% or more in a CFC that has attributable CFC income, it is obliged, in calculating its assessable income, to take account of the net attributable income or loss of the CFC in proportion to its interest in the CFC, unless the CFC is a non-attributable active CFC or a non-attributing Australian CFC. However, personal services income is always subject to attribution whether or not the CFC passes the active income test.

In order to become a non-attributing active CFC, the CFC must pass an active income test to calculate if it has attributable income of less than 5% of its total income. A CFC is a non-attributing Australian CFC if at all times in the accounting period the CFC is a resident of Australia and treated as a resident under every tax treaty between Australia and another country. Also, the CFC must be subject to income tax in Australia and not have its income tax liability reduced by an exemption from or reduction of income tax for certain offshore business income.

The attributable CFC amount includes the following types of income:

- certain types of dividend;
- interest;
- royalties;
- certain income related to telecommunications income;
- income from the business of insurance;
- personal services income; and
- other attributable income (such as income from offshore insurance business, life insurance services, and the disposal of revenue account property).

The amount calculated as the attributable CFC amount is reduced by expenditure incurred by the CFC to give a net figure. Expenditure incurred other than in respect of financial arrangements will be allowed if it was incurred by the CFC in deriving an attributable CFC amount. Different rules apply to financial arrangements since only a fraction of funding costs, referred to as limited funding costs, is allowed as a deduction.

The calculation of attributable income is made as if the CFC were a New Zealand resident, with certain modifications. Income is then allocated to the attributable taxpayers. The calculation may also result in an attributable loss, which can only be offset against attributable income for the same tax year from another CFC, or an FIF that is resident in the same country as the loss CFC. Any unutilized loss can be carried forward and used in future tax years in the same manner.

Attributable income is taxed as statutory income in the hands of the attributable taxpayer (not as dividends); some foreign tax credits, including indirect tax credits, may be available. Subsequent distribution of attributed income is not subject to New Zealand tax, but a foreign tax credit related to the distribution may be claimed.

FIF rules attribute the income of certain foreign entities to New Zealand investors if CFC rules do not apply to the entity.

FIF rules apply to interests in foreign companies, unit trusts, foreign superannuation schemes and foreign life insurance policies, but there are a number of exemptions, e.g. FIF rules do not apply to entities resident in Australia. Where FIF rules apply, attributed income is calculated using the attributable FIF income method, attributing interest and fair dividend rate method, cost method, comparative value method, or deemed rate of return method.

8. Value Added Tax

8.1. *General*

The New Zealand goods and services tax (GST) is a value added tax, with a number of important differences from a European-style VAT.

Briefly, persons who are required to be registered for GST charge the tax at 15% on their supply, unless the supply is not a taxable supply or it is a zero-rated or exempt supply, and claim input tax credits on acquisitions, unless the acquisition does not relate to making taxable supplies or is in relation to an exempt supply.

8.2. *Taxable persons*

Generally, all persons conducting taxable activities must be registered for GST. Registration is optional for persons making annual taxable supplies below NZD 60,000.

8.3. *Taxable events*

GST is levied on the supply of goods and services, including the provision of fringe benefits, and on importations.

8.4. *Taxable amount*

GST is levied on the price of the taxable supply, which is the market value of the consideration received for the supply.

For importations, GST is levied on the value of the importation, which includes the customs value, transport costs for delivery to New Zealand, transit insurance costs and customs duties. A reverse charge mechanism applies.

8.5. *Rates*

The tax rate is 15%, except where the supply is zero rated or exempt, in which case no GST is charged. Zero-rated supplies are export supplies, supplies of goods not in New Zealand at the time of the supply, supplies of a going concern, services performed outside New Zealand, supplies of financial services, etc.

8.6. *Exemptions*

The provision of the following supplies is not subject to GST:

- supplies outside the scope of GST;
- zero-rated supplies;
- exempt supplies (financial supplies, residential premises accommodation, etc.); and
- payments of wages or other income or in relation to leave taken as a consequence of COVID-19 made by the Ministry of Social Development on behalf of the Crown.

Input tax credits can be claimed for GST paid on acquisitions related to zero-rated supplies, but not on acquisitions related to exempt supplies.

8.7. *Non-residents*

Generally, the registration requirements for non-residents are the same as for residents. Reverse charge rules may apply for the acquisition of services from non-residents. A refund scheme for individuals applies if the goods purchased in New Zealand are exported.

GST applies to cross-border remote services and intangibles supplied by non-resident suppliers to New Zealand resident consumers. Non-resident suppliers are required to register and return GST on these supplies if the supplies in aggregate exceed, or are expected to exceed, NZD 60,000 in a 12-month period. Non-resident suppliers must determine whether a customer is a New Zealand resident consumer. Non-resident suppliers are not required to return GST on supplies to New Zealand GST-registered businesses, nor issue GST invoices.

Non-residents also need to register and return GST on supplies of goods valued at less than NZD 1,000 to unregistered New Zealand residents.

9. Miscellaneous Taxes

9.1. *Capital duty*

There is no capital duty.

9.2. *Transfer tax*

9.2.1. Immovable property

There are no taxes on transfers of immovable property.

9.2.2. Shares, bonds and other securities

There are no taxes on the transfer of securities.

9.3. *Stamp duty*

There is no stamp duty or cheque duty.

9.4. *Customs duty*

New Zealand imposes a number of customs duties on import only, depending on the type of goods, country of origin, etc. The collection of import duties is administered by the New Zealand Customs Service.

9.5. *Excise duty*

Excise duty is levied on alcohol, tobacco and petroleum products, and is administered by the New Zealand Customs Service.

9.6. *Other taxes*

9.6.1. Gaming duty

Gaming duty covers gaming machine duty, casino duty, totalizator duty and lottery duty. Gaming duty is administered by the Commissioner of Taxation separately from income tax.

NEW ZEALAND

This chapter is based on information available up to 1 January 2022.

Introduction

Individuals are subject to income tax on their income, and an accident compensation Earners' Account levy. Capital gains are generally not taxable. A goods and services tax of 15% is imposed on the supply of goods and services, including the provision of fringe benefits, and on importations.

The tax system applies to the whole country and is administered by the Inland Revenue.

There are no social security contributions required to be made, but various levies may be payable, as well as contributions to superannuation funds by employers.

The currency is the New Zealand dollar (NZD).

Inland Revenue has implemented various tax measures in response to COVID-19, some of which are discussed in this chapter:

- exemption for the value of employer-provided temporary accommodation (*see* section 1.3.2.);
- exemption for allowances for working from home and use of telecommunications tools and usage plans (*see* section 1.3.2.);
- relaxation of requirements for family assistance tax credits (*see* section 1.7.3.1.); and
- flexibility for various tax obligations arising from 17 March 2020 (*see* section 1.10.).

1. Individual Income Tax

1.1. *Taxable persons*

Resident individuals are subject to income tax on their worldwide income. Non-resident individuals are assessed only on income sourced in New Zealand.

New Zealand resident individuals are individuals having a permanent place of abode in New Zealand, and individuals physically present in New Zealand for more than 183 days in any 12-month period.

Partnerships are either general or limited partnerships. A general partnership is not a separate legal entity, while a limited partnership is a separate legal entity. A partnership, general or limited, is not subject to income tax as a separate entity, but each partner is individually assessed. However, partners must make a joint return of income of the partnership and each partner's share of that income. In a general partnership, losses are attributed to each partner in accordance with the partner's interest in the partnership. In a limited partnership, the partners' share of loss for the year is limited to the value of their investment in the partnership, and any loss not claimed is carried forward to the next income year.

1.2. *Taxable income*

1.2.1. General

Residents are subject to income tax on their worldwide income.

The taxable income for an income year is determined by subtracting allowable deductions from assessable income. Assessable income is determined by reference to the provisions of the Income Tax Act 2007 (ITA), and not being exempt or excluded income under the ITA.

Generally, a receipt of a capital nature is not assessable income.

There is no tax on imputed rent of owners of a dwelling.

1.2.2. Exempt income

Exempt income includes life insurance annuities, certain allowances and scholarships and compensation payments. Most pension receipts are also exempt from tax.

Fringe benefits are excluded from the income of an individual taxpayer receiving the benefits. Superannuation contributions made by employers (*see* Corporate Taxation section 4.3.3.), and some insurance and life insurance-related amounts are also excluded.

Capital gains are generally not subject to tax.

1.3. *Employment income*

1.3.1. Salary

All amounts derived in connection with employment are taxed when received, including salaries, wages, bonuses, any expenditure on account of an employee, compensation for loss of employment, market value of accommodation provided, benefits under an employee share scheme and directors' fees. A deduction is not allowed for expenses incurred in deriving income from employment. Expenses having a private purpose are not deductible, e.g. commuting to and from work, moving costs, etc.

1.3.2. Benefits in kind

Fringe benefits provided by the employer, in kind or otherwise, are generally not assessable to the employee. Such benefits, e.g. provision of motor vehicle, low-interest loans, fully paid holidays, payment of expenses, etc. are subject to a separate fringe benefits tax levied on the employer. The tax base and calculation of fringe benefits tax are subject to specific rules. The tax is assessed separately from income tax. Accommodation and shares or rights provided to employees are not subject to fringe benefits tax.

Accommodation provided by an employer to an employee between 22 April 2021 and 30 June 2022 is exempt income of the employee if the accommodation is provided for the purpose of enabling the employee to isolate due to the risk of the outbreak or spread of COVID-19.

Payments made by an employer between 1 October 2021 and 31 March 2023 to an employee who works from home are exempt income of the employee up to NZD 15 per week of the amount paid. Payments made for an employee's use of telecommunications tools and usage plans in their employment are exempt income of the employee to varying levels depending on whether the employee also works from home and the extent of the use of the equipment for employment purposes. If an employer also reimburses an employee for the cost of furniture and equipment in relation to working at home or the costs of acquiring new telecommunications equipment, the reimbursement payment is exempt income of the employee up to either (i) NZD 400 for the cost of new furniture and equipment and NZD 400 for the cost of new telecommunications equipment; or (ii) 100% of the amount paid, subject to certain conditions.

Shares or rights provided to employees as consideration for performed services may qualify for concessional taxation treatment.

IR has issued a series of rulings in PR Pub 19/01 to 19/04 concerning the income tax treatment of payments in crypto-assets of salaries and wages, bonuses, FBT and share purchase schemes.

1.3.3. Pension income

The government pays national superannuation to all persons over the age of 65. This income is taxable and treated in the same way as income from employment. In addition, persons may have private superannuation. Pension contributions by an employer to an approved superannuation fund are not included in taxable income of the employee (*see* Corporate Taxation section 4.3.3.). Pension payments made by approved superannuation funds are not subject to tax in the hands of the recipient.

Limited exemptions also exist for receipts of some overseas pensions.

1.3.4. Directors' remuneration

Generally, directors' fees are taxed as employment income. Payments of directors' fees are subject to withholding at 33%, which is taken into account in calculating the income tax liability of the director.

1.4. *Business and professional income*

Business and professional income of individuals are generally accorded the same treatment as for companies. In general, expenses are deductible if they meet the general deductibility rules (*see further* section 1.7.1.). Depreciation is available for business tangible assets. Only certain specified intangible assets can be depreciated.

Personal service income received via a service company may be attributed to the individual shareholder.

A New Zealand resident company of five or fewer shareholders may elect to become a "look-through company" (LTC). An LTC is a transparent entity whose income, expenses, tax credits, gains and losses are passed through to the individual owners in proportion to their effective interest in the company. The shareholders must be natural persons or corporate trustees, and there may only be one class of shares, all with equal rights. The taxable income is taxed in the hands of the owners at their marginal tax rates. The losses are subject to a loss limitation rule under which owners can only offset tax losses up to the value of their economic interests in the company.

1.5. *Investment income*

Dividends are subject to tax, but attached imputation credits may be used to offset the tax liability under New Zealand's imputation system. Payments of tax by a resident company give rise to "imputation credits", which the company is able to attach to its dividends when paying them out to its shareholders. Dividends are grossed up in shareholders' hands by the value of imputation credits attached to the dividends. The value of those imputation credits is limited by the amount of income tax paid by the distributing company. The shareholders are able to use the attached imputation credits as tax credits against their tax liability. Any excess credits are carried forward and are not refundable.

Interest, royalties and income from immovable property are also taxable.

1.6. *Capital gains*

Capital gains are generally not taxable. However, some amounts are specifically included in taxable income, for example gains from a sale of land acquired for the purpose of disposal and residential land (not being the main family home or inherited property) sold within 10 years of its acquisition. When the vendor is an offshore person, the sale of residential property falling under the bright-line test is subject to a withholding tax (*see* section 6.3.1.4.).

1.7. *Personal deductions, allowances and credits*

1.7.1. Deductions

Expenditure is allowed as a deduction if listed as such in the ITA. A deduction is allowed for expenditures incurred as part of income-producing activities and incurred with an intention to derive assessable income. Losses or outgoings of a capital nature or those incurred in relation to gaining exempt income are not allowed as a deduction. In addition, no deduction is allowed for expenses if a specific provision in the ITA makes them non-deductible.

No deductions are allowed for private expenditures, or expenditures incurred in deriving employment income (for example, expenditure to purchase conventional work clothing), schedular income subject to final withholding tax, or non-residents' foreign-sourced income. No deduction is allowed for relocation expenses, while home office expenses are subject to restrictions.

Interest is deductible under the general deductibility rules above, but may be subject to financial arrangement rules. Royalties are normally deductible.

1.7.2. Allowances

There are no specific personal allowances.

1.7.3. Credits

1.7.3.1. "Working for families" tax credits

The tax credits to support families are made up of:

- family tax credit paid to all eligible families with dependent children aged 18 years or younger. The amounts depend on family income and the number of children in the family. The maximum family tax credit is NZD 5,878 (NZD 6,642 from 1 April 2022) per annum for a family's eldest child and NZD 4,745 (NZD 5,412 from 1 April 2022) per annum for subsequent children;
- in-work tax credit of NZD 72.50 per week for up to three children and an extra NZD 15 per week per child for the fourth and subsequent children;
- Best Start tax credit of up to NZD 3,120 (NZD 3,388 from 1 April 2022) per annum for each child aged under 3 years. There is no abatement for the child's first year. In years 2 and 3, the abatement rate is 21 cents for each dollar of family income over NZD 79,000 per annum; and
- minimum family income tax credit available to working families with after-tax income below NZD 31,096 (NZD 32,864 from 1 April 2022) per annum, which ensures that these families have a minimum income of NZD 598 (NZD 632 from 1 April 2022) per week.

The residence requirement for the above benefits has been relaxed under the government's COVID-19 response to allow those on a temporary visa to qualify. Additionally, the minimum work hours requirement for in-house tax credit and minimum family

income tax credit is removed, so that working families that suffer a reduction in working hours as a result of COVID-19 do not lose their eligibility for the credits. Ordinarily, the minimum working hours required is 20 hours per week for single parents and 30 hours per week for couples.

The aggregate amount of family tax credit and in-work tax credit begins to abate when the taxpayer's family scheme income exceeds NZD 42,700 per annum. The rate of abatement is 27 cents for every dollar above the threshold.

1.7.3.2. Donations tax credit

The donations tax credit is for gifts of money to approved organizations, at 33 1/3% of the gift. The total amount of charitable donations eligible for a tax credit must not exceed the taxable income of the taxpayer in that income year.

1.7.3.3. Independent earner tax credit

The independent earner tax credit is available to resident individuals who earn between NZD 24,000 and NZD 44,000 if they do not receive an income tested benefit, New Zealand superannuation, working for families tax credits or a foreign government pension. The maximum amount of the tax credit is NZD 520 and abates at the rate of 13 cents for every dollar of income exceeding NZD 44,000. It is pro-rated for part-year residents.

1.8. *Losses*

A loss is an excess of allowable deductions over assessable income. Losses can be carried forward indefinitely to offset future net income from any source. There is no time limit within which the losses must be used. The carry-back of losses is usually not permitted but, in response to the COVID-19 pandemic, a temporary carry-back regime has been introduced to allow tax losses to be carried back for 1 year by businesses that are or anticipate being in a loss position in the 2019/20 or 2020/21 income years (*see* Corporate Taxation section 1.5.1.).

It is not possible to claim a capital loss for tax purposes since there is no tax on capital gains.

1.9. *Rates*

1.9.1. Income and capital gains

For the 2020/21 income year, the rates of income tax are:

Income (NZD)			*Tax rate (%)*
Up to		14,000	10.5
14,001	-	48,000	17.5
48,001	-	70,000	30
Over		70,000	33

From the 2021/22 income year, the rates of income tax are:

Income (NZD)			*Tax rate (%)*
Up to		14,000	10.5
14,001	-	48,000	17.5
48,001	-	70,000	30
70,001	-	180,000	33
Over		180,000	39

There is no tax on capital gains.

1.9.2. Withholding taxes

Payments to individuals are generally subject to Pay-As-You-Earn (PAYE) withholding tax at the applicable individual tax rates (*see* section 1.9.1.). Tax withheld is credited against the tax liability of the individual for the income year, and any excess is refunded.

Tax code declarations are provided by employees to employers to determine the amount of tax to be deducted from gross wages and salaries. The codes differ depending on type of employment, entitlement to certain rebates and number of jobs held. Where an employee does not provide his employer with his tax file number or tax code, PAYE tax is deducted at the rate of 45% of gross wages and salary.

Business taxpayers may be subject to regular tax instalments (*see* section 1.10.3.).

The applicable rates of resident withholding tax on dividends and interest are:

Income	*Rate (%)*
Dividends	33
Interest:	
- tax file number provided and election made by recipient[1]	10.5, 17.5, 30 or 33 (or 39% from 1 October 2021)
- tax file number provided and no election made by recipient on an account existing at 31 March 2010 (this provision does not apply from 1 October 2021)	17.5
- tax file number provided and no election made by recipient on new accounts opened after 31 March 2010 (this provision does not apply from 1 October 2021)	33
- no tax file number provided and no election made by recipient	45

1. The rate selected by the taxpayer is commensurate with his personal marginal tax rate (*see* section 1.9.1.).

The withholding is not final and any taxes withheld can be used as a credit against tax liability.

Some payments are also subject to non-final withholding taxation, e.g. 33% on directors' fees, insurance agents' or sales persons' commissions, etc. A taxpayer may apply to the Commissioner of Inland Revenue for an exemption certificate.

See section 6.3.1. for withholding rates on payments to non-residents.

1.10. *Administration*

The tax authority has been given discretionary power to allow flexibility in determining due dates, deadlines, time periods, time frames, and procedural and administrative requirements for taxpayers affected by COVID-19 such that meeting tax obligations is impossible, impractical or unreasonable. The discretion applies from 30 April 2020 with respect to tax obligations that arose from 17 March 2020, and lasts until 30 September 2022 unless extended.

1.10.1. Taxable period

The income year starts on 1 April.

1.10.2. Tax returns and assessment

Non-filing taxpayers (i.e. those who are not required to file a tax return) include individuals who derive income only by way of employment income, interest or dividends and from which tax deductions have been made at source. An individual who is not required to file an annual return of income may still choose to file a return, but from 1 April 2016, must also file returns for the previous four income years if no return has been filed for those years.

Filing taxpayers must file their income tax returns by 7 July for an income year ending on 31 March. An extension may be granted if the tax return is lodged via a tax agent. Joint returns are not permitted. All filing taxpayers self-assess their income tax liability.

IR provides individuals with pre-populated information about their annual income and tax credits for all types of income subject to regular reporting. This is referred to as “reportable income” and includes PAYE income, resident and non-resident passive income.

An individual’s income other than reportable income is “other income”. The individual must report all other income derived in an income year to IR, unless the total other income for that tax year amounts to less than NZD 200.

The distinction between the types of income an individual earns determines the individual’s obligations under the income tax process. A “qualifying individual” earns only reportable income for an income year and is generally not required to provide any income information to IR. When the CIR is satisfied that the income information set out in the pre-populated account correctly and completely records the income for an income year, the pre-populated account may be finalized and a notice of assessment is issued.

Individuals other than qualifying individuals may adjust their pre-populated account to provide other income information and correct errors at any time prior to 7 July following the end of the tax year, or later if they have an extension of time to file their tax return. They may also then finalize their account by confirming that the income information in the account correctly and completely records their income for the tax year. IR will then issue a notice of assessment.

If an individual does not provide all the required information relating to their other income, or if the CIR considers the information is not correct, the CIR may issue a default assessment.

1.10.3. Payment of tax

Tax liability is largely expected to be met through withholding taxes under the PAYE system, and a credit for the tax withheld is available against the final tax liability in an income year. In case of a shortfall, the taxpayers are required to make the terminal payment by 7 February of the calendar year following the end of the tax year (or 7 April where the individual is represented by a tax agent). If the tax withheld exceeds the final tax liability, the excess will be refunded. Refunds are paid out without individuals having to request them, and are paid by direct credit to the individual’s bank account (provided the bank account information is up to date).

Generally, business taxpayers are required to make three advance payments of provisional tax during the tax year, approximately 5 months, 9 months and 13 months after the balance date of the previous income year, and the terminal tax by the seventh day

of the eleventh month following the end of the tax year (i.e. by 7 February of the next year for a 31 March year-end). The due date for the terminal payment may be deferred if the taxpayer's affairs are managed by a tax agent. The terminal payment is calculated as the self-assessed tax liability as shown in the tax return, less the three instalments made for that year. If the instalments exceed the self-assessed liability, the balance is refunded. For more details on the provisional tax regime, *see* Corporate Taxation section 1.8.3.

1.10.4. Rulings

See Corporate Taxation section 1.8.4.

2. Other Taxes on Income

There are no other taxes on income.

3. Social Security Contributions

3.1. *Employed*

3.1.1. Social security contributions

There are no social security contributions in New Zealand.

3.1.2. Accident compensation premiums

WorkPlace Cover

The WorkPlace Cover (work levy) covers claims for all work-related injuries.

The levy is prescribed annually by regulation and varies according to the classification of the industry in which an employer operates, such that employers that operate in industries with a high accident rate incur a higher levy than those that do not. The levy is payable by employers (based on the employee payroll) and self-employed persons.

The maximum earnings on which the levy is payable by a self-employed person or by an employer in respect of any one employee is NZD 130,911 for the 2020/21 and 2021/22 income years. The minimum liable earnings for a self-employed person is NZD 36,816.

Earners' Account levy

The Earners' Account levy is imposed on all employees and self-employed persons for non-work accidents. It is based on income from salaries and wages, shareholder-employee salaries, salaries of partners in a partnership, salaries or active income of owners of a look-through company and income from self-employment.

The rate of the Earners' Account levy is set at 1.21% of earnings (excluding GST).

The maximum earnings on which the Earners' Account levy is payable by self-employed persons and all other earners is NZD 130,911 for the 2020/21 and 2021/22 income years.

Health and safety levy

A health and safety levy is payable by employers, self-employed persons and shareholder-employees at the rate of 8 cents per NZD 100 of earnings.

3.1.3. KiwiSaver superannuation fund

Pension contributions to a superannuation fund in respect of an employee are made by an employer, but are not compulsory unless the contribution is to a KiwiSaver superannuation fund. KiwiSaver is a voluntary work-based savings scheme to which employ-

ees can contribute 3%, 4% or 8% of their gross salary or wages. The default contribution rate for new employee members is 3%. Persons over the age of 65 may opt in to KiwiSaver.

3.1.4. Retirement scheme contribution tax

A contribution made for a person to a retirement scheme is subject to RSCT at the retirement scheme withholding rate for that person. The retirement scheme withholding rate is the rate the person notifies the scheme as his prescribed rate, depending on the person's marginal tax rate, or a default rate of 33% (39% from 1 April 2021) will apply.

3.2. Self-employed

See section 3.1.

4. Taxes on Capital

4.1. Net wealth tax

There is no net wealth tax.

4.2. Real estate tax

There is no real estate tax.

5. Inheritance and Gift Taxes

There are no inheritance or gift taxes.

5.1. Taxable persons

Not applicable.

5.2. Taxable base

Not applicable.

5.3. Personal allowances

Not applicable.

5.4. Rates

Not applicable.

5.5. Double taxation relief

Not applicable.

6. International Aspects

6.1. Resident individuals

New Zealand resident individuals are individuals having a permanent place of abode in New Zealand, and individuals physically present in New Zealand for more than 183 days in any 12-month period.

6.1.1. Foreign income and capital gains

Residents are subject to income tax on their worldwide income, and the tax treatment for foreign income is generally the same as for New Zealand-sourced income (*see* sections 1.2. to 1.9.). Foreign dividends, interest and royalties are generally subject to tax.

Lump-sum withdrawals from foreign superannuation schemes accumulated by non-residents who become New Zealand tax residents (i.e. New Zealanders who were non-residents while working overseas, or foreigners migrating to New Zealand and becoming tax residents) are subject to income tax.

Foreign capital gains are generally not subject to tax. Foreign losses are quarantined.

6.1.2. Foreign capital

There is no net wealth tax or real estate tax.

6.1.3. Double taxation relief

An ordinary tax credit is granted, both unilaterally and under tax treaties, if the income would be subject to tax in New Zealand. The credit is subject to both country-by-country and source-by-source limitations, in that the credit for foreign tax paid on income from one class is limited to the amount of New Zealand tax that would be payable on that class of income from the same country. Excess foreign tax credits cannot be carried forward or refunded.

See Corporate Taxation section 6.3.5. for a list of tax treaties in force.

6.2. *Expatriate individuals*

No tax is imposed on New Zealand employment income of visiting non-resident experts or students. Tax is also not imposed on income derived by a non-resident from personal services performed for a non-resident employer during a visit to New Zealand, if that visit does not exceed a period of 92 days in the income year and the income is subject to tax in the home country.

Returning New Zealanders, who have been non-resident for at least 10 years, and new migrants are exempt from tax on certain foreign income for 48 months from the date they arrive back in New Zealand.

A withholding tax applies when the vendor of residential property is an offshore person falling under a bright-line test (*see* section 6.3.1.4.).

Otherwise, no special expatriate regime exists.

There are generally no tax consequences for outward expatriates, other than a loss of resident status once they have been absent from New Zealand for a total of 325 days in a 12-month period. The outward expatriate must file a tax return for the final income year, declaring the dates he permanently left the country.

6.3. *Non-resident individuals*

Non-resident individuals are individuals who are not resident in New Zealand for tax purposes (*see* section 1.1. for residence rules). Special rules apply to “absentees”, i.e. part-year residents.

6.3.1. Taxes on income and capital gains

6.3.1.1. Employment income

A non-resident is generally subject to the normal income taxation rules described in section 1., including the rates. Non-residents may not be entitled to some tax credits, such as the working for families, donations and independent earner tax credits (*see* section 1.7.3.).

Non-residents are assessed only on income sourced in New Zealand under the established source rules, i.e. employment income earned in New Zealand.

6.3.1.2. Business and professional income

Business income of non-residents derived through a permanent establishment in New Zealand is generally subject to tax under the normal rules for residents (*see* section 1.4.). Non-residents are assessed only on income sourced in New Zealand under the established source rules, i.e. income from business carried on in New Zealand.

6.3.1.3. Investment income

Non-resident withholding tax (NRWT) is imposed on "non-resident passive income" derived from New Zealand by a non-resident. Non-resident passive income consists of:

- dividends (other than investment society dividends);
- interest and investment society dividends (except where derived by a non-resident carrying on business in New Zealand through a fixed establishment); and
- royalties.

However, income that is exempt from income tax is exempt from NRWT. In addition, income derived in relation to a business in New Zealand through a fixed establishment is not non-resident passive income. Other specific exemptions apply for interest and royalty income.

Dividends

Dividends paid to non-residents are subject to a withholding tax of 30% on the gross amount, which may be reduced by a tax treaty to 15%, or in some cases 5% or zero. The withholding tax is final.

Dividends with attached imputation credits are subject to tax at 15% and may give rise to a foreign investor credit for the recipient, which can be used to reduce the recipient's income tax liability.

The normal rate can also be reduced to 15% where a dividend has a foreign dividend withholding credit attached.

Interest

Interest paid or accrued to non-residents is subject to a withholding tax of 15% on the gross amount, which may be reduced by a tax treaty. The withholding is final.

No withholding tax is payable if the payer pays an approved issuer levy at the rate of either 2% or 0% (*see* Corporate Taxation section 6.3.2.).

Royalties

Royalties paid or accrued to non-residents are subject to withholding tax of 15% on the gross amount, which may be reduced by a tax treaty. The withholding is not final, except on a payment of cultural royalties, i.e. royalties paid for the use, production or reproduction (or the right to do any of these) of any literary, dramatic, musical or artistic work (i.e. not industrial) on which there is a copyright.

6.3.1.4. Capital gains

Capital gains of non-residents are not subject to tax in New Zealand. If a non-resident venture capital investor disposes of shares in certain New Zealand resident companies which were held on revenue account, the gains from the disposal may be exempt from tax.

Residential land withholding tax (RLWT) is payable on the sale of residential land sold by an offshore person within 10 years of its acquisition. RLWT is not a final tax (*see further* Corporate Taxation section 6.3.4.).

6.3.1.5. Other

Non-residents deriving the following classes of income are subject to special rules:

- non-resident passive income that is subject to final withholding tax (*see* section 6.3.1.3.);
- shipping, general insurance and mining income derived from New Zealand by non-residents;
- specified payments derived from New Zealand by a non-resident entertainer;
- policyholder income that is accounted for by a New Zealand resident life insurance company; and
- certain income derived by a New Zealand resident trustee of a group investment fund.

Contract payments to non-residents and contractors with temporary work visas are subject to a non-final withholding tax of at least 15%.

A special withholding regime applies to non-resident shippers and non-life insurers and reinsurers; tax withheld under this regime is not final.

There is no remittance tax.

6.3.2. Taxes on capital

There is no net wealth tax or real estate tax.

6.3.3. Inheritance and gift taxes

Both estate duty and gift duty have been abolished.

6.3.4. Administration

If income received is subject to final withholding tax and the tax is properly withheld, there should be no filing requirements (*see* section 6.3.1.). Otherwise, non-residents are required to file a return showing income sourced in New Zealand, and the filing requirements are the same as for residents. *See* section 1.10. for tax compliance and administration.

Special filing requirements may apply to non-residents deriving various classes of income referred to in section 6.3.1.5. Overseas persons making an investment in significant business assets in New Zealand (broadly more than 25% ownership or control, or investment exceeding NZD 100 million) are required to provide certain tax information including on the investment plan and structure and transfer pricing arrangements.

KEY FEATURES

Last reviewed: **1 January 2022**

A. General information	
Sources of tax law	Income Tax Act 2007 Tax Administration Act 1994 Goods and Services Tax Act 1985
Main types of business entities	Company Partnership Joint venture Trust
Accounting principles	New Zealand GAAP, New Zealand equivalent of IAS, IFRS
Currency	New Zealand dollar (NZD)
Foreign exchange control	No foreign exchange control, except Border Cash Reporting for the import and export of all New Zealand and/or foreign cash of NZD 10,000 or more
Official websites	Inland Revenue http://www.ird.govt.nz/ New Zealand legislation http://www.legislation.govt.nz/default.aspx
B. Direct taxation: Companies	
1. Resident companies	
Residence	A company is resident in New Zealand if: - it is incorporated in New Zealand; or - it has its head office in New Zealand; or - it has its centre of management in New Zealand; or - control of the company by the directors, acting in their capacity as directors, is exercised in New Zealand, whether or not their decision making is confined to New Zealand COVID-19 relief: Tax residence status will not be jeopardized where thresholds are breached because of COVID-19
Tax base	Worldwide
Corporate tax rates	28%
Alternative minimum tax	No
Capital gains	No
Loss carry-forward	Yes, indefinitely if rules on continuity of ownership or business continuity are met
Loss carry-back	No COVID-19 relief: Tax losses in 2019/20 or 2020/21 income tax years can be carried back 1 year, subject to conditions
Unilateral double taxation relief	Yes
2. Non-resident companies	
Corporate tax rates	28%
Capital gains on sale of shares in resident companies	No

Capital gains on sale of immovable property	No, but a withholding tax applies to gains from the sale of residential land by an offshore person falling under a bright-line test (generally property sold within 10 years)
Withholding tax rates	
Branch profits	No
Dividends	Typically, 15% (fully imputed dividends, supplementary dividends, investment society dividends) 0% (non-cash dividends) 30% (all other dividends)
Interest	15% (final unless paid to associated persons) 0% (if approved issuer levy paid)
Royalties	15% (final if cultural royalty)
Fees (technical)	Normal rates (not final)
Fees (management)	Normal rates (not final)
3. Specific issues	
Participation relief	Inbound dividends: no Outbound dividends: no
Group treatment	Yes
Incentives	Research and development Farming, forestry and aquaculture Mining
Anti-avoidance legislation	
Transfer pricing	Yes
Limitations on interest deductibility	Yes
Controlled foreign company	Yes
General anti-avoidance rule (GAAR)	Yes
Other anti-avoidance legislation	Yes
C. Direct taxation: Individuals	
1. Resident individuals	
Residence	Residents are individuals who have a permanent place of abode in New Zealand or are physically present in New Zealand for more than 183 days in any 12-month period COVID-19 relief: Tax residence status will not be jeopardized where thresholds are breached because of COVID-19
Taxable income	Worldwide income
Income tax rates	Progressive Top rate 33% (income over NZD 70,000) for 2020/21 income year; top rate 39% (income over NZD 180,000) for 2021/22 income year
Alternative minimum tax	No
Capital gains	No

Unilateral double taxation relief	Yes
Social security contributions	No (but accident compensation levies apply, and the KiwiSaver superannuation scheme is voluntary)
2. Non-resident individuals	
Income tax rates	Progressive Top rate 33% (income over NZD 70,000) for 2020/21 income year; top rate 39% (income over NZD 180,000) for 2021/22 income year
Capital gains on sale of shares in resident companies	No
Capital gains on sale of immovable property	No, but a withholding tax applies to gains from the sale of residential land by an offshore person falling under a bright-line test (generally property sold within 10 years)
Withholding tax rates	
Employment income	Regular wage withholding applies
Dividends	Typically, 15% (fully imputed dividends, supplementary dividends, investment society dividends) 0% (non-cash dividends) 30% (all other dividends)
Interest	15% (final unless paid to associated persons) 0% (if approved issuer levy paid)
Royalties	15% (final if cultural royalty)
Fees (technical)	Normal rates (not final)
Fees (directors)	Normal rates (not final)
D. Indirect taxation: Value added tax (VAT)/Goods and services tax (GST)	
Taxable events	Supply in New Zealand of all goods (real and personal property) and services by a registered person, and on all imported goods by any person
VAT/GST (standard)	15%
VAT/GST (reduced)	0%
VAT/GST (increased)	No
Registration/deregistration threshold	NZD 60,000 in a 12-month period
VAT group	Yes
E. Other taxes	
Inheritance and gift taxes	No
Net wealth tax (individual)	No
Net wealth tax (corporate)	No
Real estate taxes	No
Capital duty	No
Transfer tax	No
Stamp duty	No

Excise duties	Yes
Other main taxes	Fringe benefits tax Accident compensation levies Retirement scheme contribution tax Gaming duty

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