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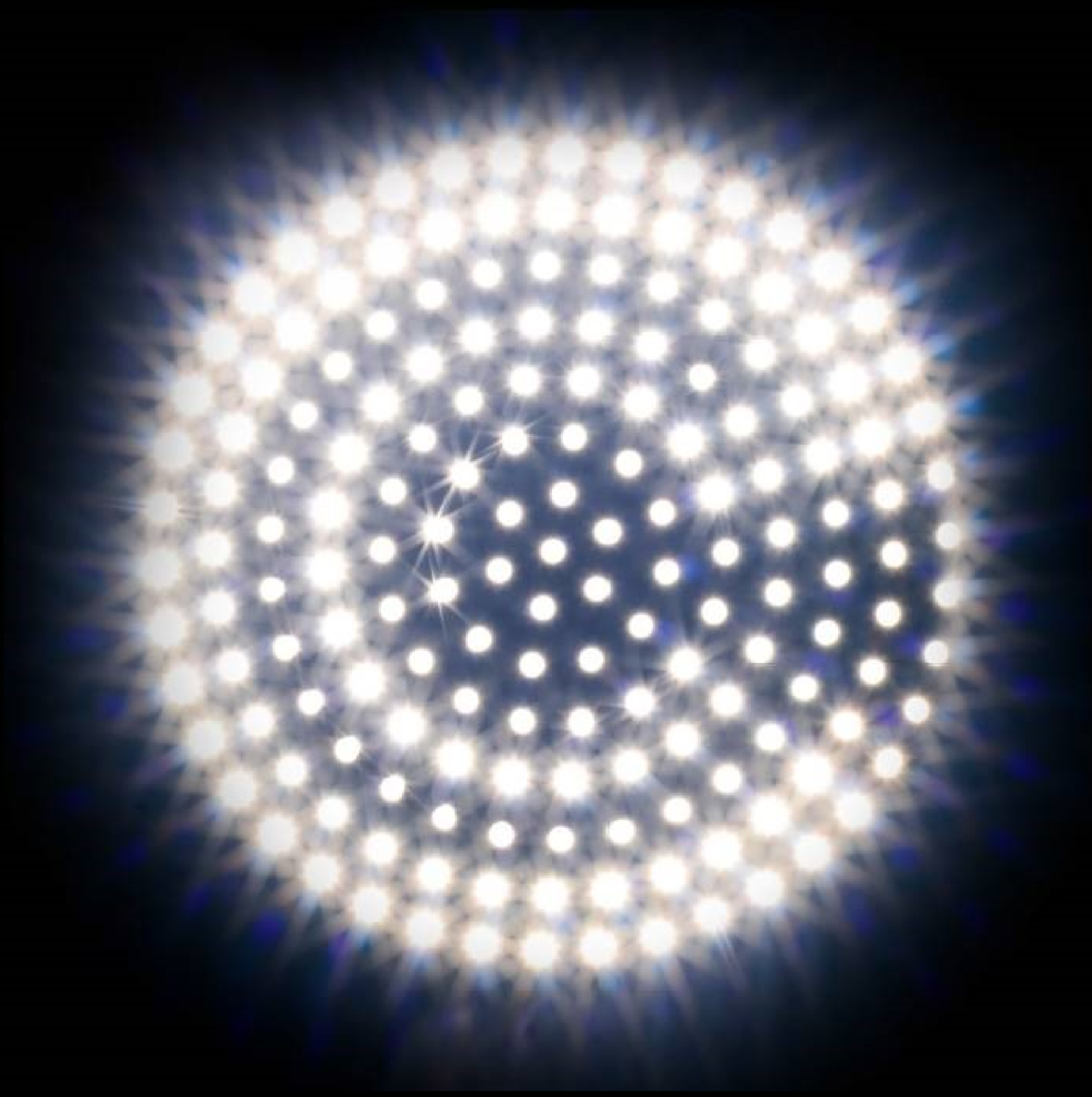

Taxation and Investment in New Zealand 2017

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1.0 Investment climate

1.1 Business environment

New Zealand is a constitutional democracy based on the British Westminster system. The British monarch is the head of state and is represented by the Governor-General. The Governor-General is appointed by the Queen on the advice of the New Zealand government.

Legislative power is vested in Parliament, which usually comprises 121 members in the House of Representatives. Elections are held every three years.

The New Zealand court system follows a basic pyramid structure, with the ultimate authority being the Supreme Court. The majority of cases are heard in the District Court, with the High Court hearing more important cases (as statutorily defined). Some cases may go to the Court of Appeal or the Supreme Court in certain circumstances. A decision by a higher court is binding on the lower courts. There are specialist courts and tribunals, such as the Employment Court, the Taxation Review Authority and the Environment Court.

The New Zealand economy is relatively small, with a heavy reliance on commodity production in the agricultural, forestry and fishing sectors. These areas do not account for a large portion of GDP, but do make up a greater share of export income, upon which New Zealand is dependent. The service sector accounts for two-thirds of GDP, although many of these services feed into commodity production, such as transport, construction and technical support.

The New Zealand economy is trade-oriented. Primary sector exports contribute to over 50% of export earnings, such as dairy, meat, wood, fruit and vegetables. Services, especially tourism, also are a key source of export revenue. The level of imports closely matches exports and comprises mostly raw materials and capital equipment for industry. New Zealand is committed to the reduction of worldwide trade barriers. Tariffs in New Zealand have been systematically reduced, and import quotas eliminated.

The government has worked to negotiate free trade agreements with major trading partners, including Australia, Brunei, Chile, China, Malaysia, Singapore and Thailand. New Zealand's largest export markets are Australia and China, followed by the US, Japan and Korea. China is the main import source, followed by Australia, the US, Japan and Malaysia.

New Zealand is a member of the Organization for Economic Co-operation and Development (OECD), the International Monetary Fund, the World Bank Group, the Asia Development Bank and the World Trade Organization.

OECD member countries

Australia	France	Korea (ROK)	Slovakia
Austria	Germany	Latvia	Slovenia
Belgium	Greece	Luxembourg	Spain
Canada	Hungary	Mexico	Sweden
Chile	Iceland	Netherlands	Switzerland
Czech Republic	Ireland	New Zealand	Turkey
Denmark	Israel	Norway	United Kingdom
Estonia	Italy	Poland	United States
Finland	Japan	Portugal	

Enhanced engagement countries

Brazil	India	Indonesia	South Africa
China			

OECD accession candidate countries		
Colombia	Costa Rica	Lithuania

Price controls

The Ministry of Business, Innovation and Employment, together with the Commerce Commission, has the power to control prices in markets where effective competition is absent.

Intellectual property

Separate statutes govern patents, trademarks, geographical indications, plant varieties, copyrights, layout and industrial designs, with the Ministry of Business, Innovation and Employment responsible for protecting all such rights. Patent and copyright legislation fulfills New Zealand's obligations under international agreements and conventions.

Many foreign firms operate in New Zealand by licensing their technology and know-how. A number of goods are manufactured under license from foreign firms, often with distribution rights for the South Pacific. There are no official approval requirements or guidelines for licenses in New Zealand. Agreements may be freely entered into, and payments freely made. Payment generally is royalty-based.

1.2 Currency

The currency is the New Zealand Dollar (NZD).

1.3 Banking and financing

Registered banks and nonbank financial institutions make up New Zealand's banking sector. Any institution—whether domestic, or foreign-owned or domiciled—that wishes to call itself a bank must be registered by the Reserve Bank of New Zealand. Under the Reserve Bank of New Zealand Act 1989, only registered banks may use the word "bank" in their name; the use of the word by a nonregistered financial institution requires a disclaimer stating it is not a registered bank. Nonbank financial institutions include building societies (mortgage lenders), credit cooperatives, investment (merchant) banks, finance companies, insurance companies, stock and station agents, and pension funds.

The Financial Markets Authority (FMA) acts as the regulator of investments. The FMA's main objective is to promote and facilitate the development of fair, efficient and transparent financial markets. The FMA enforces securities, financial reporting and company law as they apply to financial services and securities markets. The FMA also regulates securities exchanges, financial advisors and brokers, trustees and issuers, including issuers of KiwiSaver and superannuation schemes.

Auckland is New Zealand's primary financial center.

1.4 Foreign investment

New Zealand generally encourages foreign investment and has few regulations by international standards.

The Overseas Investment Office (OIO) is responsible for administering the government's overseas investment policies and processing applications from overseas persons that intend to invest in sensitive New Zealand assets. Such assets include "sensitive land" and "significant business assets," with both terms being defined in the Overseas Investment Act 2005. All applications for consent are tested against four core investor criteria:

- Business experience and acumen;
- Financial commitment;
- Good character; and
- Absence of ineligible individual(s) under the Immigration Act 2009.

Overseas companies wishing to conduct business in New Zealand must register with the Companies Office to establish branch operations. Alternatively, a wholly owned subsidiary can be established by registering a New Zealand company that is wholly owned by the overseas company (see 2, below, for more information on setting up a business).

“Offshore persons” are required to have a fully functioning bank account in New Zealand when they apply for a tax identification number (an IRD number). There are limited exemptions from this requirement.

1.5 Tax incentives

Film industry

The New Zealand Screen Production Grant provides incentives for New Zealand and international productions. This is in line with the government’s efforts to encourage the development of the screen production industry and boost New Zealand’s international profile. Grants are provided on a variable scale, depending on the wider economic and social benefits that the production brings to New Zealand. There also are special deduction rules for expenditure on acquiring film rights and film production expenditure.

Research and development (R&D)

Start-up companies meeting certain criteria and engaged in research and development (R&D) may “cash out” their losses and receive a tax credit. Where a company is engaged in intensive R&D, it will be able to cash out 28% of either:

- Its net tax loss;
- Its total R&D expenditure; or
- 1.5 times its R&D labor cost.

For the 2017 tax year, the maximum credit is capped at NZD 224,000 (800,000 x 28%)—with provision for this cap to rise to NZD 560,000 by 2020/21. To qualify for the credit, companies must meet criteria relating to corporate eligibility and “wage intensity.” They also must have a net loss for the corresponding tax year and incur R&D expenditure.

Venture capital

To facilitate the flow of international venture capital into New Zealand targets, amounts derived from the sale or other disposal of shares and similar interests in unlisted New Zealand resident companies by certain nonresident venture capital investors, which would otherwise go on the revenue account, are treated as exempt.

Agriculture and forestry

Dairy, cattle and sheep farming dominate the New Zealand agriculture industry. Specific deduction rules apply to farm development expenditure, aircraft expenses, dairy farming expenditure, farm dwelling costs, etc. Specific deductibility rules apply also to expenditure incurred in planting and maintaining forests.

Environmental protection

Rules exist to ensure that all business operating costs, including those for dealing with environmental issues, are taken into consideration in calculating taxable income, and that the timing of such deductions is appropriate.

1.6 Exchange controls

There are no foreign exchange controls in New Zealand or restrictions on the movement of funds into or out of the country, or on the repatriation of profits.

The Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) imposes basic obligations on reporting entities (essentially, financial institutions and casinos), including:

- Assessing the money laundering and terrorism financing risk that the entity may reasonably expect to face in the course of its business;
- Establishing, implementing and maintaining an AML/CFT compliance program (procedures, policies and controls) to detect, manage and mitigate the risk of money laundering and the financing of terrorism;
- Customer due diligence (identification and verification of identity) and ongoing customer due diligence;

- Suspicious transaction reporting; and
- Record-keeping.

The AML/CFT Act contains reporting requirements with respect to cash that is moved into or out of New Zealand above the applicable threshold value. Nonfinancial businesses and professions (such as accountants, lawyers, real estate agents and jewelers) will be brought into the regulatory environment in due course.

1.7 Labor environment

Employment in New Zealand is governed by both common law and statute. Employment-related law covers issues such as minimum wages, holidays, parental leave, health and safety, employment relations and privacy. Relevant legislation includes the Employment Relations Act 2000 (the ERA), the Employment Relations Amendment Act 2016, the Parental Leave and Employment Protection Act, the Health and Safety in Employment Act 1992 and the Health and Safety at Work Act 2015.

As at 1 April 2017, the adult minimum wage rate (before tax) is NZD 15.75 per hour.

There are three main routes through which an employer might hire a foreign national to work in New Zealand:

- Specific purpose work visa;
- Essential skills work visa; and
- Work to residence talent (accredited employer) visa.

It is important to bear in mind the purpose of the immigration instructions when considering hiring a foreign national: New Zealand residents and citizens should be considered for vacant roles in New Zealand before looking to hire individuals from overseas. Evidence that this has occurred may be required as part of the visa application.

Australian citizens and permanent residents of Australia usually do not require work visas, but a visa may be required in certain cases.

Other categories of visa are available to entrepreneurs, investors, students, business visitors and tourists, etc.

2.0 Setting up a business

2.1 Principal forms of business entity

Most New Zealand businesses are similar in form to those in other Western countries. The Companies Act 1993 governs the creation of a company. The most common form of entity for foreign investors is the limited liability company. New Zealand also has a limited partnership regime governed by the Limited Partnerships Act 2008; limited partnerships have separate legal entity status and limited liability for investing partners. Other legal business structures include general partnerships, joint ventures and trusts.

Formalities for setting up a company

The process for setting up a company can be relatively simple and inexpensive. However, where the directors are not resident in New Zealand or Australia, additional administration is required to comply with New Zealand's anti-money laundering laws.

The first step is to apply to the Companies Office to have the company name reserved. Once the company name is reserved, the incorporation process must be completed within 20 business days. The application for incorporation involves providing essential details about the company, such as addresses, shares, shareholders and directors, and whether the company should be registered for tax purposes. A company can be incorporated with or without a constitution. Once the company is incorporated, director and shareholder consent forms will be required to be signed and submitted.

Forms of entity

Requirements for limited liability companies

There is no distinction between public or private companies; most companies are limited liability companies. Unlimited liability companies are rarely used.

Capital: There are no minimum capital or legal reserve requirements. Liquidity ratios have replaced minimum capital requirements as the measurement of corporate financial standing. In special circumstances, equity may be supplied in noncash form (e.g. machinery, equipment or patents).

Founders, shareholders: One shareholder is required for any company. There are no nationality restrictions.

Directors and management: At least one director must be appointed. All incorporated companies must have at least one director that lives in New Zealand, or that lives in an “enforcement country” and is a director of a company that is registered in that enforcement country. An enforcement country is a country that has concluded an agreement with New Zealand that allows for the recognition and enforcement in that country of New Zealand judgments imposing regulatory-regime criminal fines (currently, only Australia is an enforcement country). Directors from outside of New Zealand and Australia will have to undergo AML certification to be appointed as a director.

Companies listed on New Zealand's stock exchange must have at least three directors on the board, at least two of which must be ordinary residents of New Zealand, with at least two independent directors. The roles and duties of the board's chair are separate from those of the chief executive officer, and an audit committee must be established with at least three members and an independent majority. Companies that fail to comply with the listing rules or the corporate governance best practice principles in the New Zealand Stock Exchange Corporate Governance Best Practice Code must disclose such noncompliance in their annual report.

Labor: No special requirements apply.

Taxes and fees on incorporation: With effect from 1 July 2017, the fee to reserve a company name online is NZD 11.50 (including GST) and the cost of registering a company online is NZD 120.75 (including GST).

Shares: A registered company may make a public share offering, but special rules apply to the spread of shareholdings for listing on the stock exchange. Companies may issue ordinary, preferred and, under certain conditions, redeemable shares. Bearer shares are permitted. All companies must have at least one share. Shares have no nominal or par value.

Branch of a foreign corporation

Overseas companies wishing to conduct business in New Zealand must register with the Companies Office to establish branch operations. It is necessary to reserve the exact name of the company as it is registered in its country of incorporation.

A branch must register the overseas name and provide information about the place where the head office is incorporated, its directors and a copy of its constitution. Registration of a branch must be made within 10 working days after the start of business in New Zealand.

The cost to register an overseas company online is NZD 160, and the required paperwork is more complex than for registration of a subsidiary. Information similar to that required for a subsidiary must be submitted, but it must be supplemented by additional material about the incorporation of the head office of the branch.

A branch is taxed at the same rate as a subsidiary.

2.2 Regulation of business

Registration and filing requirements

Registering a new company or subsidiary requires the approval of the Registrar of Companies for a proposed name, followed by notification to the registrar of the names and addresses of directors and shareholders (with details of the number of shares each holds), the address of the registered office and the place of business. If the corporation does not present a constitution, it is governed by the rules in the Companies Act 1993. Companies must file with the Registrar of Companies within 10 business days of commencing business.

Mergers and acquisitions

The Commerce Commission has some jurisdiction over mergers. Where a merger or acquisition will substantially lessen competition in a market, the Commerce Commission may take legal action in response to the transaction. However, the Commission has a clearance process whereby companies can apply for confirmation that they are not engaging in anti-competitive behavior.

Monopolies and restraint of trade

The Commerce Act 1986 aims at promoting competition in markets within New Zealand and limits behavior that restricts competition or results in a lessening of competition. Courts may infer a company's intent to take advantage of a substantial degree of power in a market from relevant conduct and surrounding circumstances. The definition of a substantial degree of power in a market takes into consideration both market position (including, if relevant, the position on the trans-Tasman (Australia/New Zealand) market) and competitive dynamics.

Conduct considered abusive includes restricting the entry of another entity into a market, preventing or deterring any person from engaging in competitive conduct and eliminating a person from the market. Price fixing is prohibited, and includes creating a price range, creating a price or discount formula or system, setting credit and rebate levels, setting prices or contributing to prices. Penalties apply for violations.

2.3 Accounting, filing and auditing requirements

The rules regarding financial reporting duties, keeping accounting records, preparing financial statements, auditing and the filing of any statements have been updated and changed significantly in recent years. The rules that apply vary depending on the type of entity, since different legislation applies to different entities (e.g. the Companies Act 1993, as amended, applies to entities that are companies; the Financial Markets Conduct Act 2013 or FMCA applies to "FMC reporting entities," as defined (e.g. issuers, building societies and insurers); the Public Audit Act 2001 and other various acts apply to "public entities," as defined (e.g. government departments, schools, energy companies); the Limited Partnerships Act 2008 applies to limited partnerships, etc.). The Financial Reporting Act 2013 (FRA) also provides for various matters relating to financial reporting duties.

Financial statements

All FMC reporting entities, public entities, "large companies" and "large overseas companies" must prepare general purpose financial statements. A company is large in respect of an accounting period if at least one of the following applies:

- As of the balance sheet date of each of the two preceding periods, the total assets of the entity and its subsidiaries (if any) exceed NZD 60 million; or
- In each of the two preceding periods, the total revenue of the entity and its subsidiaries (if any) exceeds NZD 30 million.

An overseas company carrying on business in New Zealand (i.e. a branch) and subsidiaries of overseas businesses are "large" if total revenue in each of the two preceding periods exceeds NZD 10 million or total assets on the balance sheet date of each of the two preceding periods exceed NZD 20 million.

All companies with 10 or more shareholders also must prepare general purpose financial statements, but may opt out by shareholder election. Companies with less than ten shareholders are not required to prepare general purpose financial statements unless shareholders with 5% or more of the shares require such statements.

The External Reporting Board (XRB) is responsible for the development and issuance of accounting, auditing and assurance standards in New Zealand. The XRB determines which standards apply for entities required to prepare financial statements in accordance with New Zealand GAAP. Standards have been issued across three sectors: for-profit entities, public benefit entities in the public sector and other public benefit entities (referred to as not-for-profit entities), with up to four different tiers for reporting within each sector. These tiers are determined by the size and level of public accountability of the entity in question.

Entities that are not captured by FRA thresholds are required to prepare special purpose financial statements to the minimum requirements specified by the New Zealand tax authorities (Inland Revenue). Taxpayers affected by these minimum requirements are active companies that do not have a statutory obligation to prepare general purpose financial statements, except certain small companies that are not part of a group of companies and that do not derive income or incur expenditure in excess of NZD 30,000. A company that is part of a group that prepares consolidated general purpose financial statements that do not show separate parent company information also may need to prepare individual financial statements for tax return purposes.

Financial statements may be prepared to any level above the minimum requirements. The New Zealand Institute of Chartered Accountants has developed a special purpose framework that may be used.

Auditing requirements

Under the FRA, all FMC reporting entities, public entities and large overseas companies must be audited. Large companies and all companies with 10 or more shareholders also must be audited, but may elect to opt out in certain circumstances. Companies with less than 10 shareholders are not required to be audited unless shareholders with 5% or more of the shares require an audit. Exceptions to these rules may apply.

Filing requirements

Under the FRA and the FMCA, the following entities are required to file audited financial statements with the Registrar of Companies:

- FMC reporting entities: Within four months of the balance sheet date;
- Large overseas companies: Within five months of the balance sheet date (including both the overseas company financial statements and financial statements for the New Zealand branch, if it also is large); and
- Certain public entities: Within filing dates determined by specific legislation.

Directors must ensure that compliant financial statements are filed on time. Failure to comply will give rise to penalties on the company's directors.

Companies adhering to the minimum financial reporting requirements are not required to file statements, but Inland Revenue has the right to request them. Shareholders also have the right to request these statements.

The FMA (in respect of FMC reporting entities) and the Registrar of Companies may provide exemptions to certain requirements.

3.0 Business taxation

3.1 Overview

The main taxes paid by companies doing business in New Zealand are income tax, certain withholding taxes and goods and services tax (GST, a value added tax). A fringe benefits tax (FBT) applies to a range of employee benefits, such as the private use of company cars, loans, subsidized transport, medical insurance and travel.

New Zealand integrates its business and personal income tax systems through full dividend imputation. Companies are able to impute income tax they pay to dividends distributed to shareholders. New Zealand resident shareholders may then claim a tax credit for imputation credits they receive to offset their individual liabilities. There is no separate taxation of partnerships and joint ventures. Instead, partners include their individual share of income in individual tax returns.

New Zealand has transfer pricing, controlled foreign company (CFC), thin capitalization and foreign investment fund (FIF) regimes, as well as a general anti-avoidance rule (GAAR).

The Income Tax Act 2007 is the primary legislation governing the levy of income tax. The Tax Administration Act 1994 governs how Inland Revenue administers the tax legislation.

The government is undertaking a major development and overhaul of the country's tax system, which is known as the "Business Transformation" project. The project aims to modernize the tax system and make it easier for taxpayers to file returns and pay tax. Since March 2015, the government has issued seven consultation papers, with the most recent one covering how individuals interact with Inland Revenue. A final paper on social taxes is expected. Stage 1 went live in February 2017 with an improved MyGST online service now available. Stages 2–4 introduced more streamlined processes for business and individuals. Legislation has been enacted to provide a new framework for communication, tax administration improvements and information sharing. New rules also have been enacted to improve the collection of withholding taxes and to make aspects of business tax simpler. Legislation introduced in April 2017 proposes significant changes to how tax on investment income is to be collected and how PAYE is to be administered.

New Zealand Quick Tax Facts for Companies

Corporate income tax rate	28%
Branch tax rate	28%
Capital gains tax rate	None
Basis	Worldwide income
Participation exemption	No
Loss relief	
• Carryforward	Indefinite
• Carryback	No
Double taxation relief	Yes
Tax consolidation	Yes
Transfer pricing rules	Yes
Thin capitalization rules	Yes
Controlled foreign company rules	Yes
Tax year	1 April–31 March
Advance payment of tax	Yes
Return due date	7 July; seventh day of fourth month after end of company's corresponding income year for late balance sheet dates

Nonresident withholding tax	
• Dividends	0%/15%/30%
• Interest	15%
• Royalties	15%
• Branch remittance tax	0%
• Nonresident contractors	15%
• Nonresident contractors nondeclaration rate	20% (companies)/30% (others)
Resident withholding tax	
• Dividends	33%
• Interest	28%/33%
Capital tax	No
Stamp duty	No
Real estate tax	Rates are payable on land owned
Fringe benefits tax	43%/49.25%
Social security contributions	ACC levies may be payable
KiwiSaver (employer contributions)	3%
Goods and services tax	15% (standard rate)/0%

3.2 Residence

A company is resident if it is incorporated in New Zealand, its head office or center of management is in New Zealand or control of the company by its directors is exercised in New Zealand, regardless of whether the directors also make decisions outside New Zealand. Because New Zealand's rules defining corporate residence are broad, a company resident in New Zealand also may be resident in another country. Special consideration should be given to how any relevant tax treaties will address this situation.

3.3 Taxable income and rates

A New Zealand resident company is subject to tax on all income, whether derived locally or from abroad. A nonresident company is liable for tax only on income sourced from New Zealand. Certain companies may elect "look-through" tax status; certain other companies and collective investment vehicles may choose to be taxed as a portfolio investment entity.

The corporate tax rate is 28%. A branch is taxed at the same rate as a subsidiary.

Taxable income defined

Taxable income is calculated by subtracting annual total deductions and available tax losses from annual gross income. Assessable income from carrying on a business normally includes gross income from the sale of goods, the provision of services, most dividends, interest and royalties. Assessable income also includes attributed income from CFCs and FIFs (see 3.6, below).

New Zealand operates a full imputation system, under which the payment of company tax is imputed to shareholders and the shareholders are relieved of their tax liability to the extent profits have been taxed at the corporate level. Dividends received by a company from a wholly owned group member generally are exempt. Foreign-source dividends received by resident companies generally are exempt from income tax, subject to some exceptions.

Deductions

A deduction from assessable income is allowed for expenditure or loss incurred in deriving assessable income or carrying on a business for the purpose of deriving assessable income. This general rule is subject to certain limitations (e.g. expenditure of a capital nature generally is not deductible).

Allowable deductions include normal business expenditure of a noncapital nature (including interest and royalty payments), employer accident compensation premiums, property taxes (i.e. “rates”), FBT and depreciation on certain assets.

R&D expenditure expensed for financial reporting purposes may be deducted. Research spending usually can be expensed, as can development spending, until an asset is created. (Asset-recognition criteria impose a relatively high threshold before a cost must be capitalized.)

Only 50% of entertainment expenditure within New Zealand, including business entertaining, is deductible; however, entertainment expenses incurred overseas are deductible in full. The 50% limit does not apply to staff cafeteria subsidies and entertainment provided for market value in the ordinary course of business.

Interest incurred by a company generally is deductible, although thin capitalization rules apply to limit interest expenditure incurred in certain situations where there is a proportionately high level of debt funding in New Zealand in comparison with worldwide debt funding levels (see 3.6, below).

Legal fees incurred are deductible, provided they are not of a capital nature. However, expenditure on legal fees totaling less than NZD 10,000 for the income year will be deductible regardless of whether the expenditure is capital in nature.

Depreciation

A taxpayer is allowed a deduction for depreciation on depreciable property (as defined) that is owned by the taxpayer and either used or available for use at any time during the income year. Depreciation rates are based on the estimated useful life of an asset under normal conditions of use. Higher-than-normal depreciation rates may be negotiated with the Commissioner of Inland Revenue in certain cases. Taxpayers generally may choose between the straight-line and diminishing-value methods, and may opt to pool assets (under a certain threshold) for depreciation purposes to facilitate accounting processes. Low-value assets costing less than NZD 500 may be expensed in the year of purchase. Depreciation generally is calculated on a monthly basis.

A loss on disposal may be claimed for assets other than buildings. Depreciation recovery income may arise if the sales proceeds are greater than the adjusted tax book value on disposal.

Depreciation may not be claimed on buildings with an estimated useful life of 50 years or more. The “fit-out” of commercial and industrial buildings in certain circumstances (e.g. remodeling/renovation to suit commercial operational needs) generally is depreciable. Specific rules apply to depreciation of assets within residential buildings.

Certain fixed-life intangible assets may be amortized. These include patents and the right to use software, trademarks and land, under certain circumstances. Goodwill is not depreciable, since it does not have a fixed life.

Provisions

Expenditure is only deductible for tax purposes to the extent that it is incurred for tax purposes, which means that there must be a definitive commitment or legal obligation to pay such expenditure. Accordingly, no deduction is allowable for provisions or reserves set aside to cover possible expenditure that might arise for which there is no definitive commitment.

Financial arrangements

A comprehensive financial arrangement regime (also known as the accrual rules) applies to most debt instruments. The purpose of the accrual rules is to capture returns on debt and debt-like instruments to ensure that income on a debt or debt instrument is accounted for over the life of the financial arrangement, so that recognition of income and expenditure is similar to the economic incidence of the income or gain. In effect, the financial arrangement rules dilute the capital/revenue distinction to ensure that all gains are taxable.

Accordingly, the rules require income or expenditure, including unrealized foreign exchange gains and losses, to be calculated on an accruals basis over the life of the financial arrangement. Certain types of transaction (such as certain short-term trade debts) are excluded from the regime.

Depending on the reporting standards used to prepare the financial statements, methods to spread income and expenditure on debt instruments may follow the accounting treatment, with some modifications permitted if certain conditions are satisfied.

Losses

Tax losses may be carried forward indefinitely, provided a continuity of shareholding test is met at all times from the beginning of the year in which the loss arises to the end of the year of the carryforward (the continuity period). A company may carry forward a loss balance only if there is a group of persons with minimum voting interests of at least 49% during the continuity period.

In addition, if a "market value circumstance" exists, the aggregate minimum market value interest of a group of persons in the company during the continuity period must be at least 49%. A market value circumstance will arise if a person's voting interest does not accurately reflect the economic interest the person has in a company. A market value interest includes certain types of debenture and special types of share, option and other types of arrangement or interest that a person may hold or have with a company.

Companies may elect to offset or transfer tax losses to other companies within the same tax group if there is sufficient common ownership. A group of companies generally means two or more companies in which a group of persons holds at least 66% of the common voting interests. It is possible to carry forward part-year losses (which may occur if there is a lapse in shareholder continuity during the year), but losses may not be carried back to previous tax years.

3.4 Capital gains taxation

New Zealand does not have a general capital gains tax. However, gains on the sale of personal property (including shares and other "revenue account property") are taxable where the taxpayer's dominant purpose in acquiring the property is for resale. With regard to real property, where a taxpayer purchases land with an intent to dispose of the property, the sale proceeds are taxable even if the intention is not the dominant one. Appropriate deductions are allowed for the cost of the land, and there are specific exclusions for residential and business property. Special rules also apply to land acquired for land-related business, profit-making schemes and certain land subject to development. Gains from the sale of residential property that is sold within two years of being bought (with an exception for a family home) are taxable—referred to as the "bright-line test" (see 4.6, below).

Where an asset is sold for more than its book value, depreciation previously claimed is "clawed back." Any excess over the original cost of the asset is treated as a capital gain.

3.5 Double taxation relief

Unilateral relief

A foreign tax credit may be allowed against New Zealand income tax applicable to overseas income, but the credit is limited to the lesser of the actual overseas tax paid on the income or the New Zealand tax applicable to that income.

Tax treaties

New Zealand's tax treaties generally provide for relief from double taxation on all types of income, limit the taxation by one country of companies resident in the other and protect companies resident in one country from discriminatory taxation in the other. The treaties generally contain OECD-compliant exchange of information provisions. Unless the wording of a treaty provides otherwise, treaty benefits will be applied automatically.

New Zealand also has concluded a number of tax information exchange agreements with offshore financial centers, as part of the commitment to the OECD's Harmful Tax Practices Initiative.

New Zealand has signed the OECD's multilateral Convention on Mutual Administrative Assistance in Tax Matters, which will allow Inland Revenue to request information from other tax authorities and to seek assistance in collecting outstanding tax debts from overseas taxpayers.

New Zealand was one of the 68 countries that signed the OECD multilateral instrument on 7 June 2017.

New Zealand Tax Treaty Network

Australia	France	Mexico	Spain
Austria	Germany	Netherlands	Sweden

Belgium	Hong Kong	Norway	Switzerland
Canada	India	Papua New Guinea	Taiwan
Chile	Indonesia	Philippines	Thailand
China	Ireland	Poland	Turkey
Czech Republic	Italy	Russia	United Arab Emirates
Denmark	Japan	Samoa	United Kingdom
Fiji	Korea (ROK)	Singapore	United States
Finland	Malaysia	South Africa	Vietnam

Tax treaties also are in effect with the Cayman Islands, Cook Islands, Isle of Man and Jersey that apply only to determine the allocation of taxing rights with respect to certain income of individuals and to establish a mutual agreement procedure in respect of transfer pricing adjustments.

3.6 Anti-avoidance rules

Transfer pricing

New Zealand's transfer pricing (TP) rules are set out in local legislation and guidelines. Inland Revenue fully endorses and follows the OECD TP guidelines in administering New Zealand's TP rules, although there are some differences.

Inland Revenue's TP guidelines set out expectations of how taxpayers should calculate transfer prices and deal with transactions for tangible and intangible assets, the provision of services, financial transactions and cost-sharing arrangements. The rules aim to prevent companies from avoiding taxes by fixing artificial prices in transactions between related companies in different tax jurisdictions.

Inland Revenue has an established TP team, and its focus is on the following issues:

- Unexplained tax losses returned by foreign-owned groups;
- Inbound loans greater than NZD 10 million principal and guarantee fees;
- Outbound loans of all sizes;
- Cash pooling arrangements;
- Payment of unsustainable royalties and/or service charges;
- Material associated party transactions with no- or low-tax jurisdictions, including the use of offshore hubs for marketing, logistics and procurement services;
- Appropriate booking of income arising from e-commerce transactions;
- Supply chain restructures that shift any major functions, assets and risks away from New Zealand; and
- Any unusual arrangements or outcomes that may be identified in CFC disclosures.

Inland Revenue continues to monitor the profitability of foreign-owned wholesale distributors as this is the most common multinational business form encountered in New Zealand. For smaller wholesale distributors (those with turnover less than NZD 30 million), Inland Revenue will seek explanations for any performance resulting in a weighted average profit before tax ratio of less than 3%.

For intragroup noncore services valued at 15% or less of total New Zealand group revenue (for inbound services) or expenditure (for outbound services) and intragroup services with costs below the de minimis threshold of NZD 1 million, Inland Revenue applies a safe harbor of cost plus a 7.5% mark-up.

Cross-border financing arrangements remain a significant area of interest for Inland Revenue. However, Inland Revenue aims to strike a balance between protecting the tax base and containing compliance costs. For small value loans (i.e. for cross-border associated party loans by groups of companies not exceeding NZD 10 million principal in total per year), Inland Revenue currently considers 250 basis points (2.5%) over the relevant base indicator to be broadly indicative of an arm's length rate, in the absence of a readily available market rate for a debt instrument with similar terms and risk characteristics. Inland Revenue reviews the interest rate for small value loans on 30 June each year.

With respect to matters not addressed in the New Zealand TP guidelines, the OECD guidelines generally are followed. Inland Revenue has the power to adjust the pricing of transactions that are considered not to be at arm's length. TP documentation must be prepared, at a minimum, to support any cross-border associated party transactions, and unilateral advance pricing agreements are considered to be a best practice.

In respect of branch operations, the New Zealand Inland Revenue does not follow the OECD authorized approach for the attribution of profits to a permanent establishment, on the grounds that the updated article 7 of the OECD model tax treaty has not been incorporated into any of New Zealand's tax treaties.

CbC reporting

Inland Revenue has contacted all New Zealand-headquartered taxpayers that have global revenue in excess of EUR 750 million and requested compliance with country-by-country (CbC) reporting as set out in BEPS action 13. New Zealand subsidiaries of foreign-owned multinational groups for which CbC reporting is required to be filed overseas are not required to provide notification to Inland Revenue. New Zealand currently does not have any draft or final CbC reporting legislation in place. Inland Revenue has indicated that legislation is not required to implement CbC reporting, and that it can instead rely on existing information collection powers. This measure is effective for years commencing on or after 1 January 2016. New Zealand is one of the countries that signed a multilateral competent authority agreement for the automatic exchange of CbC reports.

Proposed reform

Consultation is underway on a package of reforms to strengthen New Zealand's TP rules, particularly in light of the OECD's BEPS work. Proposals include aligning TP rules with economic substance, the ability to recharacterize transactions, reversing the burden of proof (which is currently on Inland Revenue when contemporaneous documentation is prepared by the taxpayer), extending the statute of limitations for TP adjustments from four to seven years, and applying the TP rules to investors acting in concert.

Inland Revenue has endorsed the OECD's BEPS work on TP and is proposing legislative change to have the new OECD TP guidelines explicitly referred to in legislation.

Thin capitalization

The thin capitalization rules are designed to limit the deductibility of interest on debt of a foreign-controlled New Zealand entity or a foreign taxpayer in New Zealand, to the extent that the ratio of interest-bearing debt to assets of the entity's New Zealand group is more than 60% and also more than 110% of the ratio of debt to assets of the company's worldwide group. The ambit of foreign control has been broadened to include nonresidents that act together when investing in New Zealand.

The debt percentage calculation for thin capitalization purposes is prepared on a New Zealand group basis. Special rules apply to the calculation of the New Zealand debt-to-assets ratio, the group's worldwide debt-to-assets ratio and the total group assets. Specific rules apply to foreign-controlled registered banks.

The thin capitalization rules are extended to New Zealand residents that have an income interest in a CFC (subject to certain exemptions). This is referred to as "outbound" thin capitalization. These rules are designed to prevent an excessive amount of debt from being allocated against the New Zealand tax base. The safe harbor threshold for outbound thin capitalization is 75% New Zealand group debt to assets (ignoring investments in foreign equity), and 110% of the worldwide percentage.

An outbound entity typically would not be subject to the interest allocation rules unless the New Zealand group assets are less than 90% of the worldwide group assets and the total interest deductions of the New Zealand group are more than NZD 250,000. There also is an adjustment mechanism for outbound entities with finance costs of less than NZD 2 million that provides some relief from these rules.

In response to the BEPS initiative, a package of measures was released in March 2017 to further strengthen interest limitation rules. The measures also include suggestions for changes to the thin capitalization rules concerning how assets are valued, the timing of when assets and debts are measured, the introduction of a *de minimis* level for inbound thin capitalization in certain cases and a possible carve out for infrastructure projects with third party funding.

Controlled foreign companies

Under the CFC rules, income derived by a CFC is attributed to New Zealand tax resident shareholders. A New Zealand resident person with an income interest of 10% or more in a CFC is subject to the CFC rules. A foreign company will be a CFC if a group of five or fewer New Zealand residents has a control interest of over 50% in the company or, in certain circumstances, where a single New Zealand resident has a control interest of 40% or more, or where there is a group of five or fewer New Zealand residents that effectively control the company's affairs.

Attributable income broadly includes passive income such as dividends (although generally only where deductible or in relation to fixed rate equity or certain portfolio interests), interest (including foreign exchange gains on financial arrangements), rent and royalties, but there are a number of available exemptions. Deductions are available for expenses incurred in deriving attributable income.

No attribution is required if the CFC passes the active business test, i.e. if its passive income is less than 5% of its total income. These amounts are determined based on prescriptive terms, subject to certain criteria, and measured using either financial accounting or tax measures of income. An exemption also is available for certain Australian CFCs.

Foreign investment funds

FIF rules apply in relation to certain types of offshore investment in foreign entities (e.g. a foreign company or unit trust) where the control and income interests of the New Zealand resident shareholders are less than the CFC thresholds. Investments in certain Australian-listed companies, certain employee share plans and investments with a cost of NZD 50,000 or less held by individuals and trustees of certain types of trust are among those exempt from the FIF rules.

Different methods are available to calculate attributable FIF income, depending on whether the investor has a portfolio (less than 10%) or a nonportfolio (between 10% and 50%) interest in the FIF.

Investors with interests in nonportfolio FIFs and that meet certain criteria may elect to use the "attributable FIF income method" that broadly applies the CFC rules to the FIF, but with specific modifications. No FIF income will be attributed if the FIF passes the active business test (as modified for nonportfolio FIFs).

Other calculation methods are available where investors have portfolio FIF interests or nonportfolio FIF interests that do not qualify for the attributable FIF income method, or where the investor chooses not to apply the attributable FIF income method. The "fair dividend rate" method is the default method for calculating FIF income. This method taxes 5% of the opening market value of the interest held at the start of an income year, plus the "quick sales adjustment" if the investor has bought and sold a particular FIF interest during the year. There are other methods of calculation.

General anti-avoidance rule

New Zealand has a GAAR that can apply to void a tax arrangement. The GAAR applies to an arrangement that has a tax avoidance purpose or effect, or that has avoidance as one of its purposes or effects that is more than merely incidental, whether or not any other purpose or effect is referable to ordinary business or family dealings. The Commissioner of Inland Revenue has broad discretion as to adjustments the tax authorities may make to counteract the tax advantage.

BEPS measures

Inland Revenue is an active participant in the OECD's work on BEPS and the New Zealand government has indicated that BEPS policy work is a top priority. In addition, Inland Revenue has been conducting active reviews of all TP arrangements and it has paid particular attention to certain areas, such as hybrids and debt financing arrangements.

The following table summarizes the steps New Zealand has taken to date to implement the BEPS recommendations:

Action	Implementation
VAT on business to customers digital services (Action 1)	GST was been extended to certain cross-border services from 1 October 2016. A separate

	consultation is expected during 2017 regarding GST on cross-border low value goods.
Hybrids (Action 2)	A public consultation document released in September 2016 proposed reforms that broadly follow the G20/OECD recommendations. Owing to the complexity of the proposals, further consultation is planned for 2017 before legislation is introduced into Parliament.
CFCs (Action 3)	New Zealand already has a comprehensive CFC regime. No further reform is expected in light of the G20/OECD recommendations.
Interest deductions (Action 4)	In March 2017, the government released a discussion document consulting on interest limitation reforms arising from BEPS action 4. Instead of an EBITDA rule, the paper proposes a package of reforms including an interest rate cap on related party loans from a nonresident to a New Zealand borrower (which is based on the interest rate that the borrower's ultimate parent could borrow on standard terms). Other measures are also proposed to further strengthen the thin capitalization rules. Legislation is not expected until 2018.
Harmful tax practices (Action 5)	New Zealand has no harmful tax practices as identified by the G20/OECD. New Zealand has an active unilateral APA and other binding rulings regime; the country has confirmed it will disclose any rulings given that fall into one of the six categories highlighted as part of action 5. The information exchange obligations will apply to: • Past rulings issued on or after 1 January 2010 and still in effect on or after 1 January 2014; and • Rulings issued on or after 1 April 2016.
Prevent treaty abuse (Action 6)	New Zealand proposes to adopt the principal purpose test (PPT) which will deny treaty benefits if the principal purpose of an arrangement is to secure those benefits. New Zealand also proposes to adopt article 7(4) of the MLI for its covered agreements.
Permanent establishment status (Action 7)	New Zealand has not made any reservations and therefore proposes to adopt Articles 12 to 15 as regards Commissionaire status, specific activity exemptions (choosing Option A), the anti-fragmentation rule and the anti-contract splitting rule (subject to whether other signatories sign up or adopt particular clauses). Consultation is also underway on unilateral options to counter the avoidance of PE status; the measures would apply where a related entity (e.g. a wholly owned subsidiary) carries out sales activities for a nonresident in New Zealand under an arrangement that is contrary to the purpose of the PE provisions.
Transfer pricing (Actions 8-10)	New Zealand endorses the OECD transfer pricing guidelines and Inland Revenue has publicly stated that it will apply the strengthened guidelines. Legislation should not be required to give effect to any changes to the guidelines, but the government intends to amend the legislation to include an explicit reference to the latest OECD TP guidelines (this is part of the consultation referred to below).

	Consultation is underway on a package of reforms to strengthen New Zealand's TP rules. Proposals include aligning TP rules with economic substance, the ability to recharacterize transactions, reversing the burden of proof (which is currently on Inland Revenue when contemporaneous documentation is prepared by the taxpayer), extending the statute of limitations for transfer pricing adjustments from four to seven years and applying the TP rules to investors acting in concert. Legislation will not be required to give effect to any changes to the guidelines.
Disclosure of aggressive tax planning (Action 12)	No major reforms have been signaled in this area, but Inland Revenue has begun issuing an annual international tax questionnaire to multilateral entities.
Transfer pricing documentation and CbC reporting (Action 13)	Consultation is underway on a package of reforms to strengthen New Zealand's TP rules, including shifting the burden of proof to the taxpayer. The shifting of the burden of proof will increase the importance of having adequate documentation. It is not intended to introduce a statutory requirement to prepare and maintain TP documentation. See above under Transfer pricing for more details on CbC reporting.
Dispute resolution (Action 14)	New Zealand is one of the countries committed to binding arbitration.
Multilateral instrument (Action 15)	New Zealand was one of the countries that signed the MLI on 7 June 2017.

3.7 Administration

Tax year

The standard income/tax year runs from 1 April to the following 31 March. Companies may use their accounting period as their tax period, provided approval is obtained from Inland Revenue.

Filing and payment

New Zealand operates a self-assessment system, under which companies self-assess their income tax liability. The due date for filing annual income tax returns for a company is 7 July; for a company with a late balance date (1 April-30 September) it is the seventh day of the fourth month after the end of the company's corresponding income year. Returns may be filed in hard copy or electronically.

An extension to file tax returns may be granted to taxpayers that are registered with a tax agent. The filing date may be extended no later than the following 31 March where the return is for the year ended 31 March. Where the return is for any year ending on an annual balance sheet date between 31 March and 1 October, the extension is to the following 31 March. For an accounting year ending on a date between 30 September and 31 March, the time is extended to the 31 March succeeding the next 31 March.

Progress payments of tax (provisional tax) are made by most businesses throughout the year as the income is earned. Provisional tax must be paid by all taxpayers that have residual income tax of more than NZD 2,500 for the tax year; other taxpayers may choose to pay it. Nonresident companies that do not have a fixed establishment in New Zealand are excluded from the requirement to pay provisional tax. The date on which installments are due depends on the taxpayer's balance sheet date and the amount payable is based broadly on the taxpayer's income in the previous year, although estimation of likely income is possible.

For most taxpayers, provisional tax payments generally are made in three installments on the 28th day of the fifth, ninth and 13th months after the start of the income year. The date is aligned with the due date for GST payments. Certain smaller businesses registered for GST are able to calculate their provisional tax installments as a percentage of sales, rather than on the previous year's tax liability. In such cases, the provisional tax will be payable in six equal installments, corresponding to the GST returns.

Any surplus tax that remains payable after offsetting provisional tax paid during the year (if any) is terminal tax and must be paid by the seventh day of the relevant month, determined by reference to the year end of the company. Most taxpayers are subject to the “use of money interest” regime, which applies to underpaid and overpaid tax, including provisional tax. If a taxpayer overpays or underpays any tax liability, interest will accrue from the date of the liability to the date the balance is settled by the taxpayer or refunded (as the case may be). The rates are set to encourage taxpayers to pay the correct amount of tax at the right time.

Provisional taxpayers may utilize the services of tax pooling intermediaries to reduce exposure to use of money interest on underpaid tax and to increase interest received on overpaid tax. Participating taxpayers make their payments via the intermediary and underpayments of tax will be offset against overpayments within the same pool. The intermediary can pay a higher rate of interest to taxpayers that overpay and charge a lower rate for underpayments. Tax pooling funds also may be used to pay interest owed as a result of a tax dispute or amended tax assessment.

A sliding scale of penalties applies for abuse of the tax system. The most common penalties imposed are for taking an unacceptable tax position or for not applying a reasonable standard of care, and attract a 20% penalty. The penalty for tax evasion is 150% of the shortfall in tax and a fine not exceeding NZD 50,000 and/or a prison sentence of up to five years. In addition, unpaid (or overpaid) tax will be subject to “use of money” interest. Use of money interest is charged at the rate of 8.22% (as from 8 May 2017) on underpaid tax as from the day after the due date of payment until the date the tax is paid. Use of money interest is also payable by the Commissioner of Inland Revenue to taxpayers on overpayments of tax at the rate of 1.02%.

The Business Transformation project aims to modernize the tax system and it make it easier for taxpayers to file returns and pay tax (see 3.1, above).

Consolidated returns

Two or more wholly owned companies may elect to form a consolidated group for tax purposes, enabling them to file a single income tax return. The benefits of filing a consolidated return are that transactions between group companies generally are ignored for tax purposes and compliance costs may be somewhat streamlined.

Statute of limitations

The Commissioner of Inland Revenue generally may not amend an assessment to increase the amount of tax assessed if four years have passed from the end of the tax year in which the taxpayer submitted the tax return. However, where a taxpayer has submitted a return that is fraudulent or willfully misleading, or that omits income of a particular nature or source, the Commissioner may increase the assessment at any time thereafter.

Tax authorities

Inland Revenue is the primary revenue collector for the New Zealand government, collecting 85% of the Crown's revenue, as well as collecting and disbursing social support program payments (e.g. student loan scheme, family assistance and child support, KiwiSaver). It also provides the government with tax policy advice.

Rulings

The Commissioner of Inland Revenue may issue binding rulings in respect of the application of tax legislation and how tax laws may apply to an arrangement. There are four types of binding ruling: public, private, product and status.

3.6 Other taxes on business

New Zealand does not impose any other significant taxes on business.

4.0 Withholding taxes

4.1 Dividends

Nonresident withholding tax (NRWT) must be deducted from payments of dividends to nonresidents. The rate of NRWT on fully imputed dividends is 0% for dividends paid to a nonresident if the nonresident has a voting interest of at least 10% in the distributing company. In most other cases, the NRWT rate is 15% unless the dividend is unimputed, in which case a 30% rate applies. These rates may be reduced under a tax treaty. NRWT generally is a final tax for New Zealand tax purposes.

Resident withholding tax (RWT) must be deducted at source from most dividend payments made to New Zealand residents (individuals and companies) at a rate of 33%. The liability to withhold and account for this withholding tax rests primarily with the person making the payment. Certain recipients may be eligible for an exemption from having this tax withheld.

4.2 Interest

Interest paid to a nonresident is subject to a 15% NRWT, which may be subject to further reduction under an applicable tax treaty. New Zealand also has an approved issuer levy (AIL) regime that allows an approved issuer to pay a 2% levy instead of NRWT on registered securities where the parties are not associated. The aim of this regime is to reduce the tax imposed on loans from unrelated parties, on the basis that NRWT raises the cost of capital for New Zealand borrowers. The AIL regime also provides a zero rate of AIL for bonds meeting certain criteria, which removes a potential tax barrier to nonresident investment in New Zealand corporate bonds. NRWT is a final tax for New Zealand tax purposes, except where the interest is paid to an associated person, in which case NRWT will be the minimum tax. With effect from 30 March 2017, the rules in relation to interest arising on related party debt have been strengthened to ensure that NRWT applies to nonresident financial arrangement income. Broadly, such income could arise where there is a mismatch between the amount of interest taken as a deduction and the interest payments made to the nonresident that are subject to NRWT.

The rate of RWT withheld from interest payments to resident individuals is 10.5%, 17.5%, 30% or 33%, depending on the individual's marginal tax rate and whether a rate election has been made. For companies, the rate is 28% or 33%. The liability to withhold and account for this withholding tax primarily rests with the person making the payment. Certain recipients may be eligible for an exemption from having this tax withheld.

4.3 Royalties

Royalties paid to a nonresident are subject to a 15% NRWT, which may be subject to further reduction under an applicable tax treaty. NRWT generally is a minimum tax for New Zealand tax purposes, except where the royalty relates to the use of a literary, dramatic, musical or artistic work in which copyright subsists, in which case NRWT will be the final tax.

Technical service fees for the provision of services (i.e. not know-how) generally do not fall under the definition of royalties and, therefore, are not subject to NRWT when paid to a nonresident (except to the extent the services are connected with the application or enjoyment of royalties).

4.4 Branch remittance tax

There is no branch remittance tax in New Zealand.

4.5 Wage tax/social security contributions

Pay as you earn (PAYE)

Income derived from salary or wages (including extra pay, accommodation benefits and taxable allowances) is subject to the PAYE system, under which tax is deducted by the employer at source. Payments of PAYE are made to Inland Revenue monthly or twice monthly, depending on whether the employer is classified as a small or large employer.

PAYE intermediaries

Employers have the option of using an accredited PAYE intermediary to meet their obligations to calculate and pay PAYE deductions and to file employer monthly schedules. The transfer of obligations to intermediaries means that employers that meet their obligations will not face any penalties for the incorrect application of the PAYE rules. The government partly subsidizes the cost of using a PAYE intermediary for small employers meeting certain thresholds, although this subsidy is to be abolished from 1 April 2018 as part of the Business Transformation project's PAYE administration proposals.

ACC earners' levy

In conjunction with the deduction of PAYE, an employer must make a deduction for the Accident Compensation Corporation (ACC) earners' levy to cover the cost of non-work injuries. The imposition of the ACC earners' levy is governed by the Injury Prevention, Rehabilitation, and Compensation Act 2001, which provides that, among other things, the levy does not apply to redundancy payments, retiring allowances, deemed dividends, pensions or parental leave payments.

KiwiSaver

Employers may have a responsibility to deduct KiwiSaver contributions for employees who have elected into this scheme and, if so, they also must make compulsory employer contributions at the correct rate and forward them to Inland Revenue by the due date, along with PAYE payments.

KiwiSaver is a voluntary savings scheme designed to help individuals save for retirement. The KiwiSaver Act 2006 enables the establishment of schemes to facilitate private savings, principally through the workplace. Employees are automatically enrolled upon starting a new job, unless they elect to opt out within a certain period. Employees who are enrolled contribute to a chosen or default KiwiSaver scheme, and contributions are deducted from gross pay each pay period (administered via the PAYE system).

An employee currently can contribute at 3%, 4% or 8%. The compulsory employer contribution rate is 3%. The scheme also features a member tax credit in relation to an employee member's contribution over an annual period at a rate of NZD 0.5 for each NZD 1 contributed by members, up to a maximum of NZD 521.43.

Other

Employers must deduct loan repayments from the wages of employees who are paying off student loans via the PAYE system.

Employers may be required to deduct child support payments from an employee's wages via the PAYE system.

Employers meeting certain criteria are able to offer a payroll giving scheme, under which employees may make regular donations to eligible charitable causes through the payroll system. Employees who make payroll deductions will receive an immediate PAYE credit for the pay period in which donations are made. Employers will manage these deductions and credits through the PAYE system.

A liability to pay the employer superannuation contribution tax arises when an employer makes a cash contribution to a superannuation scheme (including a KiwiSaver fund) that meets the definition of a superannuation fund, subject to certain exemptions. The rate of tax withheld is based on the employee's marginal tax rate.

4.6 Other withholding taxes

Nonresident contractors' tax

Payments made to a nonresident for services that have been physically performed in New Zealand, or for the use of personal property in New Zealand, are subject to the 15% nonresident contractors' tax (NRCT) withheld at source. Where a tax declaration code form is not provided to the payer, the rate is 20% for nonresident companies, or 30% for all other nonresident entities. An exemption certificate can be obtained if the recipient is not subject to tax in New Zealand as a result of the application of a treaty. A special rate certificate also can be obtained with approval from Inland Revenue. The special certificate rate is based on the expected gross income, less deductions of the nonresident contractor; the rate can be higher or lower than 15%, depending on individual circumstances. General exemptions apply for short-term and low value contracts. Payments of management fees to an associated company offshore often will attract NRCT liability if offshore staff have been physically present in New Zealand performing management services.

Residential land withholding tax

Payments to “offshore persons” in relation to the sale and purchase of property subject to the two-year bright-line test (see 3.4, above) may be subject to residential land withholding tax (RLWT). The obligation to withhold RLWT primarily falls on the vendor’s conveyancer or solicitor, however it can fall on the vendor personally in certain circumstances. The amount of RLWT to be withheld generally is the lower of: i) 33% (28% for a company) of the purchase price less acquisition cost; or ii) 10% of the purchase price.

5.0 Indirect taxes

5.1 Goods and services tax

The Goods and Services Tax Act 1985 governs the imposition of GST, a consumption tax levied on the supply of most goods and services in New Zealand. The broad aim of GST is to tax, at a single rate, all final consumption that takes place in New Zealand, so that supplies of goods and services, regardless of whether they are supplied to New Zealand residents or tourists, are taxed at the standard rate of 15%.

The broad-based GST applies to the total value of goods and services, whether at an intermediate or final stage of supply, and includes imported goods and, in some cases, imported services. Certain supplies are exempt or zero-rated. Financial transactions, residential property leases and residential property sales generally are exempt. Exports are subject to GST, but at 0% (zero-rated), thereby ensuring that exporters can recover GST incurred on their costs. In addition, certain transfers of commercial land (and related assets) between GST-registered parties are zero-rated (i.e. subject to GST but at a rate of 0%).

A registered person must charge GST output tax on all taxable supplies made in New Zealand. This amount of GST must be remitted to Inland Revenue. Registered persons are allowed to claim a credit for the GST input tax they have paid.

GST registration is compulsory for a business whose annual value of supplies in New Zealand exceeds NZD 60,000. However, a person carrying on a business that does not satisfy the turnover threshold may register for GST on a voluntary basis. A nonresident business may register and claim back GST incurred on goods and services received in New Zealand. To qualify, the business making a taxable supply in New Zealand.

GST returns must be filed monthly, bimonthly or every six months by each registered person, depending on the annual value of the supplies made. Returns generally must be filed and GST paid by the 28th day of the month following the end of the taxable period.

GST on offshore services

As from 1 October 2016, GST applies to services and intangibles (including digital downloads) supplied remotely by an offshore supplier to New Zealand-resident consumers. Offshore suppliers of remote services to private consumers have a liability to register for New Zealand GST only if supplies exceed the threshold of NZD 60,000 per annum. Business-to-business (B2B) transactions will be excluded (unless the offshore supplier elects for these supplies to be zero-rated, to allow the offshore supplier to recover New Zealand GST incurred). Where certain conditions are satisfied, electronic marketplaces (such as online app stores) will be required to register for GST, instead of the principal/underlying supplier.

5.2 Capital tax

New Zealand does not levy capital duty.

5.3 Real estate tax

Local authorities charge rates on land based on the official valuation of land. The rates vary considerably from one locality to another. Rates collected are used to fund local city services, waste collection, local roads and the provision of parks, community facilities and activities.

5.4 Transfer tax

New Zealand does not levy any transfer taxes.

5.5 Stamp duty

New Zealand does not levy stamp duty.

5.6 Customs and excise duties

In addition to GST, customs duty may be payable on certain goods coming into New Zealand. The rate generally is between 5% and 10% on most goods. Some concessions and duty-free allowances may apply.

New Zealand levies selective taxes on alcoholic beverages, tobacco products, fuels and betting. Customs also collects anti-dumping and countervailing duties.

A 2015 review of the Customs and Excise Act 1996 by the New Zealand Customs Service resulted in the current Act being refreshed. An announcement was made by Parliament that an updated Customs and Excise Act is likely to come into effect with retrospective effect from 1 April 2017. The updated draft Act has a number of changes, which, among other objectives, aim to increase transparency and efficiency for exporters and importers.

5.7 Environmental taxes

While not a tax as such, New Zealand does operate an Emissions Trading Scheme (ETS) that applies to persons whose activities create greenhouse gas emissions. The aim of the ETS is to create both an incentive to change behavior and a market for reducing emissions.

Effectively, one "NZU" is the right to emit one ton of carbon dioxide, or the equivalent amount of certain other greenhouse gases. The New Zealand scheme covers emissions of the following six greenhouse gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6). These are the greenhouse gases covered by the Kyoto Protocol, to which New Zealand is a signatory.

The industries that have obligations under these rules include the energy, synthetic gas, liquid fossil fuel, waste, and forestry and agriculture industries. Some businesses have a legal obligation to acquire and surrender emission units to cover their direct greenhouse gas emissions or the emissions associated with their products. These participants generally are "upstream" operators (e.g. transport fuel producers or importers bringing in products to New Zealand). Some businesses can opt into the scheme if they carry out a relevant activity. Other businesses receive free emission units that can be used to meet their own obligations or to sell to other firms (e.g. landowners with forests planted before 1990).

Most businesses and consumers do not participate directly in the ETS scheme. They may notice a small increase in energy prices as organizations that emit gases pass on their increased costs. Others may choose to trade emission units in the same way that stockbrokers or real estate agents trade in their markets: these are secondary market traders. They may have specialist expertise in linking those who can reduce their emissions and have spare emission units with those wishing to purchase these units.

5.8 Other taxes

Fringe benefits tax

FBT is payable on benefits employees receive as a result of their employment, such as the private use of company cars, loans, subsidized transport, medical insurance, travel and other noncash benefits such as gifts and vouchers. Employers generally have an option to pay a flat rate of 49.25% per quarter or 43% for three quarters and perform a "square-up" calculation in the fourth quarter. This calculation requires certain benefits to be attributed to the employee who used or received the benefit. FBT may be deducted in computing assessable business income.

Road tax

Most road users pay levies in the prices of their fuel. Others, such as drivers of diesel-powered heavy vehicles such as trucks, pay through road user charges. The tax collected pays for the upkeep of roads. Road user charges are payable for vehicles that are over 3,500 kilograms (gross laden weight) or that use diesel or other fuel not taxed when sold.

6.0 Taxes on individuals

New Zealand Quick Tax Facts for Individuals	
Income tax rates	10.5%-33%
Capital gains tax rate	None
Basis	Worldwide income
Double taxation relief	Yes
Tax year	1 April–31 March
Return due date	Generally 7 July, unless individual has late balance sheet date or extension
Nonresident withholding tax	
• Dividends	0%/15%/30%
• Interest	15%
• Royalties	15%
Resident withholding tax	
• Dividends	33%
• Interest	10.5%/17.5%/30%/33%
Net wealth tax	No
Accident compensation scheme (ACC)	Earners' levy is payable for 2017/18 of NZD 1.39 per NZD 100 of liable earnings up to maximum of NZD 124,053
KiwiSaver	3%/4%/8%
Inheritance tax	No
Real estate tax	Rates are payable on land owned
Goods and services tax	15%

6.1 Residence

New Zealand tax residents (i.e. individuals who have lived in the country for at least 183 days in any 12-month period or who have a permanent place of abode in New Zealand) are subject to tax on their worldwide income. To cease tax residence, an individual must be absent for 325 days over a 12-month period and no longer have a permanent place of abode in New Zealand.

Expatriate regime

Expatriates in New Zealand may qualify for exemptions on foreign investments and for exemptions from valuing offshore debts and cash investments on an unrealized basis, depending on the level of their investments.

To encourage international recruitment, transitional resident rules apply to allow a four-year exemption from tax for new migrants and returning New Zealanders that have been absent for ten years or more. This exemption means most foreign-source income derived by a transitional resident will not be subject to tax in New Zealand for a period of up to 48 months from the time he/she becomes a resident of New Zealand.

6.2 Taxable income and rates

New Zealand resident individuals are taxed on their worldwide income, with a foreign tax credit available for foreign income tax paid. The amount of the foreign tax credit available is the lesser of the

New Zealand income tax payable or the amount of foreign tax paid. Nonresidents are taxed only on New Zealand-source income (unless the income is exempt under general law or a tax treaty).

Taxable income

Net taxable income for resident individuals is gross worldwide taxable income, less deductible expenses incurred to produce that income. Taxable income includes salary and wages, bonuses, other employment benefits or remuneration, partnership income and investment income. The taxable income of an individual also may include the attribution of income interests held in FIFs (see 3.6, above) and financial arrangements when the relevant thresholds and exemptions do not apply. Noncash benefits provided to employees are subject to FBT, which is payable by the employer (see 5.8, above).

The same rules that apply to corporate taxpayers for capital gains also apply to individuals. Amounts derived from the disposal of personal property and land may be assessable in certain situations, if acquired with the purpose of disposal or as part of dealing in such property. Gains from the sale of residential property sold within two years of being bought (with an exception for the family home) are taxable—this is referred to as the "bright-line rule."

Gains from active share trading are taxable; individuals face the same tests as corporate taxpayers. Losses are deductible only when a gain would have been taxable. The occasional buying and selling of shares by individuals does not constitute trading.

Legislation has been introduced to change how employees are taxed on benefits under employee share schemes, particularly the timing and value of benefits so that a neutral outcome is achieved when compared to cash salary. Employers also now are obliged to report all share benefits provided.

Lump sum receipts or transfers made into a New Zealand or Australian superannuation scheme are taxed using a "schedule" or "formula" method.

A tax credit is available for certain taxes paid on foreign-source income.

Deductions and reliefs

Wage/salary earners generally are unable to claim deductions against employment income (limited to tax return preparation fees and certain income protection insurance premiums), but may claim tax rebates for donations, including charitable gifts, and certain school and childcare payments.

For partners of partnerships and sole traders, the same deductions apply as for corporate tax, except that FBT is not payable in relation to benefits provided to the proprietor and the costs of providing the benefits are unlikely to be deductible. The accident insurance employee premium is tax deductible.

Rates

Tax is deducted at source for wage and salary earners. Most employed individuals are subject to the PAYE regime, as a result of which (subject to certain thresholds), employees generally are not required to file annual income returns.

Rates are divided into four brackets ranging from 10.5% to 33%.

Dividends paid by a resident company to a resident individual are subject to a 33% withholding tax, although the withholding tax liability is reduced by any imputation credits attached to the dividend. If the dividend is fully imputed (i.e. imputation credits are attached at the maximum rate), only a residual 5% withholding tax will be imposed on the dividend.

NRWT must be deducted from payments of dividends to nonresidents. The rate of NRWT on fully imputed dividends is 0% for dividends paid to a nonresident if the nonresident has a 10% or more direct voting interest in the distributing company. In most other cases, the NRWT rate is 15% unless the dividend is unimputed, in which case a 30% rate applies. These rates may be reduced under a tax treaty. NRWT generally is a final tax for New Zealand tax purposes.

The rate of RWT withheld from interest payments to resident individuals is 10.5%, 17.5%, 30% or 33%, depending on the individual's marginal tax rate, and whether a rate election has been made.

NWRT at 15% applies to interest or royalties paid to nonresidents.

6.3 Inheritance and gift tax

There is no estate or gift duty in New Zealand.

6.4 Net wealth tax

There is no net wealth tax in New Zealand.

6.5 Real property tax

There is no real property or land tax in New Zealand. However, under the Local Government (Rating) Act 2002, local authorities can charge rates on land owned based on the official valuation of land, which vary considerably from one locality to another. Rates collected are used to fund local city services, waste collection, local roads and the provision of parks, community facilities and activities.

6.6 Social security contributions

New Zealand has an accident compensation scheme based on an insurance model that provides no-fault personal injury coverage for all New Zealand residents and visitors. This scheme is funded by compulsory levies on employees' earnings, payroll (see 4.5, above), petrol, vehicle licensing and government funding. Otherwise, there are no compulsory social security contributions as such, since social welfare is funded through general taxes.

The ACC levy for the 2017/18 year is charged at NZD 1.39 per NZD 100 of liable earnings (deducted by the employer along with PAYE). This levy is applied on earnings up to NZD 124.053; any income exceeding this threshold incurs no ACC levy charge. The levy rate and maximum threshold can change each year.

With regard to pensions, employees have the option to contribute a portion of their income directly to a KiwiSaver fund, which is a voluntary, work-based savings government initiative to help with long-term savings for retirement. Employees can elect to contribute at a rate of 3%, 4% or 8%, which will necessitate a compulsory employer contribution of 3% (see 4.5, above).

6.7 Other taxes

In conjunction with the deduction of PAYE, an employer will deduct ACC earners' levy from an employee's wages to cover the cost of non-work injuries. The imposition of the levy is governed by the Injury Prevention, Rehabilitation, and Compensation Act 2001, which provides that, among other things, the levy does not apply to redundancy payments, retiring allowances, deemed dividends, pensions or parental leave payments.

6.8 Compliance

The standard tax year runs from 1 April to the following 31 March.

Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities. Income not subject to PAYE is self-assessed, in which case the individual must file a tax return. Income is assessed individually, with no joint assessment.

New Zealand operates a self-assessment system, under which individuals self-assess their income tax liability. Returns can be filed in hard copy or electronically. The rules regarding payment and filing of tax and penalties for companies also apply to individuals (see 3.7, above).

7.0 Deloitte International Tax Source

The Deloitte International Tax Source (DITS) is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. DITS is accessible through mobile devices (phones and tablets), as well as through a computer.

Connect to the source and discover:

A database that allows users to view and compare tax information for different jurisdictions that includes:

- Corporate income tax rates;
- Historical corporate rates;
- Domestic withholding tax rates;
- In-force and pending tax treaty withholding rates on dividends, interest and royalties;
- Indirect tax rates (VAT/GST/sales tax); and
- Information on holding company regimes.

Guides and Highlights: Deloitte's Taxation and Investment Guides analyze the investment climate, operating conditions and tax systems of most major trading jurisdictions, while the companion Highlights series concisely summarizes the tax regimes of over 100 jurisdictions.

Jurisdiction-specific pages: These pages link to relevant DITS content for a particular jurisdiction (including domestic rates, tax treaty rates, holding company information, Taxation and Investment Guides and Highlights).

Tax publications: Global tax alerts and newsletters provide regular and timely updates and analysis on significant cross-border tax legislative, regulatory and judicial issues.

Tax resources: Our suite of tax resources includes annotated, ready-to-print versions of holding company and transfer pricing matrices; an R&D incentive matrix; monthly treaty updates; and expanded coverage of VAT/GST/sales tax rates.

Webcasts: Live interactive webcasts and Dbriefs by Deloitte professionals provide valuable insights into important tax developments affecting your business.

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