

Terra Nova *e-news*

About Tax Residency and Tax Status in New Zealand

Why is tax residency important?

New Zealand residents are taxed on their "worldwide income", that is income from New Zealand as well as from other countries. For example, a New Zealand resident individual that receives interest income from the United Kingdom will be taxed on that income in New Zealand as well as the United Kingdom. However, generally New Zealand will give a foreign tax credit for any foreign tax paid.

Your worldwide income includes any income that you derive in a foreign country even if you do not bring the money into New Zealand.

Your worldwide income could include the following:

- an amount of interest you derive from funds you have in an offshore bank account
- rental income
- salary and wages paid both by New Zealand companies and offshore companies

IRD
stands for
Inland Revenue Department

What if I am resident in New Zealand and also another country?

If New Zealand does not have a double tax agreement with the other country:

- you will be taxed in New Zealand on your worldwide income and
- you will generally be given a credit for any foreign tax paid.

If New Zealand does have a double tax agreement with the other country (where you are resident) there are tiebreaker provisions that will decide which country can tax you on your worldwide income.

Generally, these tiebreaker tests are:

- the country you have a permanent home in, or
- if you have permanent homes in both countries or neither - then the country that your family and economic interest are in, or
- if this is not clear then the country you spend most of your time in, or
- if this is not clear the country you are a citizen of.

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Terra Nova Consultancy Ltd is a commercial business and immigration consultancy company providing assistance and immigration advise to people who wish to immigrate to and or settle in New Zealand.



The Terra Nova *e-news* may freely be distributed to anyone.

For correspondence, or, if you wish to contribute with an interesting article, please email in word format to:

info@terranovaconsultancy.co.nz

Our website is at;

www.terranovaconsultancy.co.nz

YOUR PERSONAL TAX RESIDENCY

You are a tax resident in New Zealand if you:

- are in New Zealand for more than 183 days in any 12-month period, or
- have an "enduring relationship" with New Zealand.

WHAT IS THE 183-DAY RULE

If you are in New Zealand for more than 183 days in any 12-month period, you are a NZ

New Zealand tax resident from the date of your arrival here. The 183 days do not have to be consecutive and if you are in New Zealand for only part of a day, it will be counted as being a whole day.

WHAT IS AN "ENDURING RELATIONSHIP" WITH NEW ZEALAND?

A person who has a "permanent place of abode" in New Zealand is a New Zealand tax resident. "Permanent place of abode" is not just the dwelling that you live in - it covers all your social, physical, economic or personal ties and links with New Zealand. To help you decide if you have a permanent place of abode consider the following:

Criteria - Example

Presence in New Zealand - Are you here continuously or from time to time?

Accommodation - Do you own, lease or have access to property in New Zealand?

Social ties - Where does your immediate family live? Are your children being educated here? Do you belong to any New Zealand clubs, associations or organisations?

Economic ties - Do you have bank accounts, credit cards, investments, life insurance or superannuation funds in New Zealand?

Employment or business - Do you run a business here? Are you employed here? Do you have any employment to return to in any of your employment contracts?

Personal property - Do you have vehicles, clothing, furniture or other property or possessions kept here permanently?

Intentions - Do you intend to live in New Zealand?

Benefits, pensions and other payments - Do you receive any welfare benefits, pensions or other payments from New Zealand agencies or organisations?

This list is a guide only. You can maintain similar ties, or even a physical home, in other countries, but still be a New Zealand tax resident

AM I STILL A TAX RESIDENT WHEN I HAVE LEFT NEW ZEALAND?

Yes until you have been out of New Zealand for 325 days in any 12 month period and you stop having an "enduring relationship" with New Zealand.

APPLYING FOR AN IRD NUMBER

If you have recently arrived in New Zealand and have not received income from New Zealand before, you will need to apply for an IRD number. You can do this by completing an *IRD number application - individual (IR595) form*.

If you have had a New Zealand IRD number before, please contact us to check that it's still valid.

YOUR FIRST NEW ZEALAND INDIVIDUAL TAX RETURN

At the end of each tax year (31 March) some taxpayers file an *Individual income return (IR3)* if they earned certain types of income, or income that hasn't had tax deducted, for example self-employed income or rental income.

Work out if you need to file an *Individual income return (IR3)*

The information in above news letter has been obtained from the Inland Revenue Department.

For further detailed information please contact your own accountant or the Inland Revenue Department via their website on www.ird.govt.nz

