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New Zealand Tax Profile

Produced in conjunction with the KPMG Asia Pacific Tax Centre

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1 Corporate Income Tax

Corporate Income Tax	Company tax (includes deemed companies, such as unit trusts)
Tax Rate	28 percent
Residence	A company is considered to be resident in New Zealand if it is incorporated under New Zealand law. Companies incorporated under foreign law are considered to be New Zealand resident if they are effectively managed from New Zealand. Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their New Zealand sourced income.
Compliance requirements	New Zealand has a self-assessment tax regime. Tax returns are required to be lodged by 31 March the year following balance date with the exception of companies with a 31 October to 31 December balance date in which case the due date for lodging its tax return is 31 March subsequent to the following year. These filing dates apply provided the company is linked to a 'tax agent'. If not linked to a tax agent, returns are due by 7 June following balance date, or the 7th day of the 4 month following balance date for April to September balance dates.
International Withholding Tax Rates	Dividends paid to a non-resident are subject to withholding tax at 30 percent. However, fully imputed dividends are subject to zero percent withholding tax if the shareholder owns more than 10 percent of the company, or 15 percent otherwise. These rates may be reduced under a tax treaty. Supplementary dividend regime: A NZ resident company may pay a supplementary dividend accompanying a fully imputed dividend to less than 10 percent shareholders. The effect of the supplementary dividend rules is to compensate the shareholder for withholding tax on the imputed dividend (the company receives a tax credit for the supplementary dividend paid).

There are special anti-avoidance rules to prevent dividend stripping and re-characterisation of dividends.

Interest payments to non-residents are subject to withholding tax at 15 percent. This rate may be reduced under a tax treaty.

Royalty payments to non-residents are subject to withholding tax at 15 percent. This rate may be reduced under a tax treaty.

Dividends and imputation

Company tax paid generates imputation credits, which can be attached at the ratio of 28/72 to cash dividends paid (i.e. up to $28 of imputation credits can be attached for every $72 of cash dividend). Imputation credits can be used by shareholders to reduce tax payable on the dividend.

Where the dividend is paid to a resident shareholder, resident withholding tax ("RWT") must generally be deducted such that the total of attached imputation credits and RWT is 33 percent of the gross dividend. (E.g. RWT of five percent must be deducted if a dividend is fully imputed.)

Dividends paid within a wholly-owned group of New Zealand resident companies are exempt.

Capital gains

New Zealand does not have a capital gains tax regime. However, certain gains (or losses) are treated as taxable income (or losses).

Tax Losses

Tax losses can be offset between entities that share at least 66 percent commonality of ownership.

Tax losses may be carried forward indefinitely subject to ultimate shareholder continuity remaining above 49 percent.

There is no provision for the carry back of tax losses.

Tax Consolidation / Group relief

A parent company and its wholly-owned subsidiaries can elect to be treated as a consolidated group (as one taxpayer) provided that all entities are New Zealand tax residents.

Transfer of shares

No duty applies on transfer of shares. Sale of shares in a company is not taxable (unless the shares were purchased with the intention of resale or the vendor is in the business of trading in shares).

Transfer of assets

No duty applies on the transfer of land, buildings and other tangible and intangible assets.

CFC rules

New Zealand has Controlled Foreign Company ("CFC") rules. There is no requirement to attribute income of a foreign subsidiary unless the CFC derives more than five percent of its income from "passive" sources (e.g. income in the form of dividends, interest, royalties and rents). This passive income must be returned in New Zealand.

New Zealand also has Foreign Investment Fund ("FIF") rules for non-controlling interests in foreign companies. Similar rules to those for CFCs (see above) apply where a person has a shareholding interest of 10 percent or more in a FIF. A separate regime exists for less than 10 percent shareholdings in FIFs.

Transfer Pricing

New Zealand has a comprehensive transfer pricing regime based on the OECD Transfer Pricing Guidelines and the 'arm's length' principle.

Transfer pricing documentation is not required to be lodged with the annual income tax return. However, the New Zealand Inland Revenue has emphasised the need for robust concurrent transfer pricing documentation. If a taxpayer fully documents its transfer pricing position, Inland Revenue is required to prove the taxpayer's position is incorrect in order to amend an assessment on audit.

Taxpayers can enter into unilateral or bilateral Advance Pricing Agreements ("APAs") to minimise transfer pricing risk. A unilateral APA can be entered into with the New Zealand Inland Revenue, but is binding only on the New Zealand tax authority (foreign tax authorities can still challenge the transfer pricing position taken). A bilateral APA also removes the foreign tax risk, as long as the terms and conditions of the APA are satisfied.

New Zealand has mutual agreement procedures for resolving transfer pricing disputes.

Thin Capitalisation	New Zealand's thin capitalisation regime limits the amount of interest deductions permitted where, broadly, the total interest bearing debt-to-assets of the New Zealand company (or group) exceeds 60 percent (where a non-resident owns more than 50 percent of the NZ company or group), or 75 percent (where a NZ company or group has CFCs or certain FIF interests). Special thin capitalisation rules apply for banking entities.
General Anti-avoidance	New Zealand has a mix of general and specific anti-avoidance rules. Under the general anti-avoidance rule, transactions are void if they defeat the purpose and intention of New Zealand's tax laws (i.e. have a more than incidental purpose or effect of tax avoidance).
Anti-treaty shopping	Anti-treaty shopping provisions are contained in a number of tax treaties. A number of recent Double Tax Agreements entered into by New Zealand, which have concessional withholding tax rates, also have limitations on benefits provisions.
Other specific anti-avoidance rules	Specific anti-avoidance regimes include the transfer pricing, CFC, FIF and thin capitalisation rules discussed above.
Rulings	The New Zealand Inland Revenue issues both binding and non-binding rulings on tax issues. Binding rulings can be either public or private rulings. Inland Revenue charges a fee for considering and issuing a binding ruling.
Intellectual Property Incentives	None
R&D Incentives	There are no specific tax incentives for R&D. Research and development costs can generally be expensed.
Other incentives	New Zealand does not have any other tax incentives, such as headquarter incentives, tax holidays etc.

Hybrid Instruments	Loans are treated as equity for tax purposes if the interest on the loan is dependent on the debtor's profits or dividends payable, however measured. In addition, hybrid instruments will need to be bifurcated to determine the respective values of the debt and equity components (determined under tax rules, not financial reporting). New Zealand's "financial arrangements" rules will need to be applied to determine the income/expenditure arising on the debt component over the instrument's life.
Hybrid entities	Whether a foreign entity is to be regarded as a non transparent company or as a transparent entity is based on statute and whether or not the entity is recognised as a separate legal entity in the foreign jurisdiction. Some of New Zealand’s tax treaties provide relief for hybrid entities.
Special tax regimes for specific industries or sectors	New Zealand has special tax regimes for forestry, mining of certain specified minerals (i.e. gold, silver, iron), and farming (e.g. livestock). In addition, there are specific rules for certain financial entities, such as banks and life insurers.

2 Income Tax Treaties for the Avoidance of Double Taxation

In Force	Australia	Germany	Norway	Turkey
	Austria	Hong Kong	Philippines	United Arab Emirates
	Belgium	India	Poland	United Kingdom
	Canada	Indonesia	Russian Federation	United States
	Chile	Ireland	Singapore	
	China	Italy	South Africa	
	Czech Republic	Japan	Spain	
	Denmark	Korea (Republic of)	Sweden	
	Fiji	Malaysia	Switzerland	
	Finland	Mexico	Taiwan	
	France	Netherlands	Thailand	

Negotiated, not yet in force at time of publication

New tax treaties or amendment protocols have been negotiated with Belgium, Canada, Japan, Malaysia and Papua New Guinea but are not yet in force at the time of publication.

Tax information exchange agreements

Tax information exchange agreements allow for the exchange of information between two jurisdictions. The following agreements are in force:

Cayman Island	Guernsey	Samoa
Cook Islands	Isle of Man	Sint Maarten
Curacao	Jersey	
Gibraltar	Netherlands Antilles	

NZ has signed tax information exchange agreements with the following (but these are not in force):

Anguilla, Bahamas, Bermuda, British Virgin Islands, Dominica, Marshall Islands, Niue, St Christopher and Nevis, St Vincent and the Grenadines, Turks and Caicos Islands, Vanuatu

3 Indirect Tax (e.g. VAT/GST)

Indirect Tax	Goods and services tax ("GST")
Standard Rate	GST is a comprehensive value added tax. Almost all supplies of goods and services are subject to the tax (see exceptions below) The standard GST rate is 15 percent. Exceptions: some goods and services are treated as zero-rated (e.g. exports) or exempt (e.g. financial services).
Further information	For more detailed indirect tax information, refer to: KPMG's VAT/GST Essentials

4 Personal Taxation

Income Tax	Personal income tax
Top Rate	The top rate of personal income tax in New Zealand is 33 percent and applies for income over NZD 70,000. Under New Zealand's tax system a rate of 10.5 percent applies on the first NZD 14,000 of income, 17.5 percent on income between NZD 14,001 and NZD 48,000, and 30 percent between NZD 48,001 and NZD 70,000.
Social Security	New Zealand has a comprehensive public compensation system for injuries and accidents (including in the workplace), provided by the Accident Compensation Corporation ("ACC"). The system is mainly funded by levies on employees. The ACC levy on employees is currently 1.7 percent of gross salary up to NZD 113,768. In addition, New Zealand has a national work-based superannuation saving scheme called 'KiwiSaver'. While the scheme is voluntary, it works on an "opt-out" basis (i.e. new employees are automatically enrolled in KiwiSaver and must opt out within certain prescribed time frames). Employers and employees must currently contribute two percent of gross salary to KiwiSaver, with these contribution rates rising to three percent from 1 April 2013. Savings are generally locked-in until the retirement age (currently 65). The New Zealand Government provides certain incentives to KiwiSaver members, including a matching tax credit up to NZD 520 per annum and a NZD 1,000 kick-start grant.

International Social Security Agreements

Australia*	Denmark	Guernsey	Jersey	United Kingdom
Canada	Greece Guernsey	Ireland	Netherlands	

Source: IBFD

** New Zealand and Australia have recently brought into force an agreement to facilitate portability of national superannuation savings on migration of persons between the two countries.*

Further information

For more detailed personal taxation information, refer to:

KPMG's Thinking Beyond Borders

5 Other Taxes

Fringe benefit tax (FBT)	FBT applies to benefits provided by employers to employees (or their families), such as motor vehicles; low-interest loans; and free, subsidized or discounted goods or services. It is levied on employers according to the taxable value of the fringe benefit provided.
Customs duty	Customs duty is levied on certain goods entering New Zealand. The rates vary according to the types of goods, whether a concession is available, and the country of origin. Preferential rates may be applicable if the goods are sourced from a country with which New Zealand has a free trade (or similar) agreement. The customs value, which is derived using one of six valuation methods, is the base on which customs duty is charged.
Excise duty	Motor spirits, tobacco and alcohol products are levied with excise duty. The rates vary between the products.
Stamp duty	New Zealand does not have a stamp duty regime (abolished in 1999).
Property taxes	There is no central Government property tax. While New Zealand does not have a capital gains tax, gains realised on disposal of property may be taxable if the property was acquired with the intention of resale or the vendor is a dealer in property.
Inheritance / gift tax	No inheritance or gift tax applies in New Zealand (abolished from 1 October 2011).

6 Free Trade Agreements

In force	Australia
	China
	Hong Kong
	Malaysia
	Singapore
	Thailand
	Association of South-East Asia Nations (ASEAN) – {Australia, Brunei, Cambodia, Myanmar, Malaysia, New Zealand, Philippines, Singapore, Thailand and Vietnam.}
Concluded / signed	Indonesia (part of the ASEAN agreement – not yet ratified in Indonesia)
(pending domestic ratification)	Anti-Counterfeiting Trade Agreement
In negotiation	Belarus
	India
	Hong Kong (Investments)
	Kazakhstan
	Korea (Republic of)
	Russia
	Gulf Co-operation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)
	Trans-Pacific Economic Partnership (Australia, Brunei, Chile, Malaysia, Peru, Singapore, United States, Vietnam)

Source: New Zealand Ministry of Foreign Affairs & Trade

7 Tax Authority

Tax Authorities

Inland Revenue Department

Link to Inland Revenue Department

Tax Audit Activity

Inland Revenue's enforcement activity is based on risk profiling ('risk reviews') of taxpayers and industries. Generally, large taxpayers and corporates can expect to receive an annual risk review (this is typically by way of Inland Revenue questionnaires and, in some cases, a follow-up meeting). Material issues identified, if any, may trigger a full audit of the taxpayer. Inland Revenue can generally go back and re-open returns for the previous four years.

Inland Revenue's 2012/13 audit focus is on complex cross-border financing structures, transfer pricing, international tax (CFC/FIF) compliance, property and leasing transactions, high-net worth taxpayers, and the hidden economy (i.e. tax evasion).

Inland Revenue has also published benchmark data (e.g. profitability, return on assets, etc) for a range of industries. The Department has indicated that outliers can expect to have a higher risk of review.

Appeals

Taxpayers can enter into the disputes process to challenge an Inland Revenue reassessment of their tax affairs. This is a legislatively prescribed process, with requirements imposed on each party. Disputes are referred to the Adjudication unit of Inland Revenue for resolution (the Adjudication unit is meant to function independently of the rest of the Department). If the adjudication process finds in favour of the taxpayer, the outcome is generally binding on the Inland Revenue. If the Adjudication unit finds in favour of Inland Revenue, the taxpayer can take the dispute to litigation in the Courts. This can however be a costly affair and is typically avoided unless the tax amount involved is significant. A taxpayer can also seek judicial review of some (but not all) of the Inland Revenue's actions during a tax dispute.

Tax Governance

Inland Revenue has emphasised the need for Senior Management and Boards to be aware of the tax positions being taken and the need for documented tax risk management policies. Inland Revenue's assessment of a taxpayer's tax governance processes is a factor in its overall risk assessment and rating.

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