



Inland Revenue
Te Tari Taake

Offshore Tax Transparency



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Introduction from the Deputy Commissioner

I am proud of the milestones we have achieved in the recent years as we have successfully transformed Inland Revenue into a world class tax administration that contributes to the economic and social wellbeing of New Zealand by collecting and distributing money.



The recent years have been among the most important not just for Inland Revenue but also in the New Zealand Government's history as we have worked very hard to modernise our country's entire tax and social policy system. Designing and delivering services and systems that facilitate compliance in a customer-centric manner remains a priority for Inland Revenue.

New Zealanders have already experienced the benefits of our new system since 2020, as Inland Revenue designed and deployed several COVID-19 relief initiatives in exceptionally short timeframes.

Most individuals and businesses comply voluntarily, and we try and make it as easy as possible for them. At the same time, we need to identify and address those who do not comply. Increasingly, we are using intelligence-led, evidence-based techniques, and a broad range of internal and external datasets to make decisions on how to best facilitate compliance domestically and globally.

We continue to work hard to ensure all businesses and individuals conducting cross-border transactions and investing overseas pay their fair share of tax. To this end we are working actively with other jurisdictions bilaterally and multilaterally to promote tax transparency through greater exchange of information. We have already seen this through initiatives such as the exchange of financial account data under the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS).

With the increasing complexities of globalisation, we will continue to actively participate in international solutions to facilitate compliance.

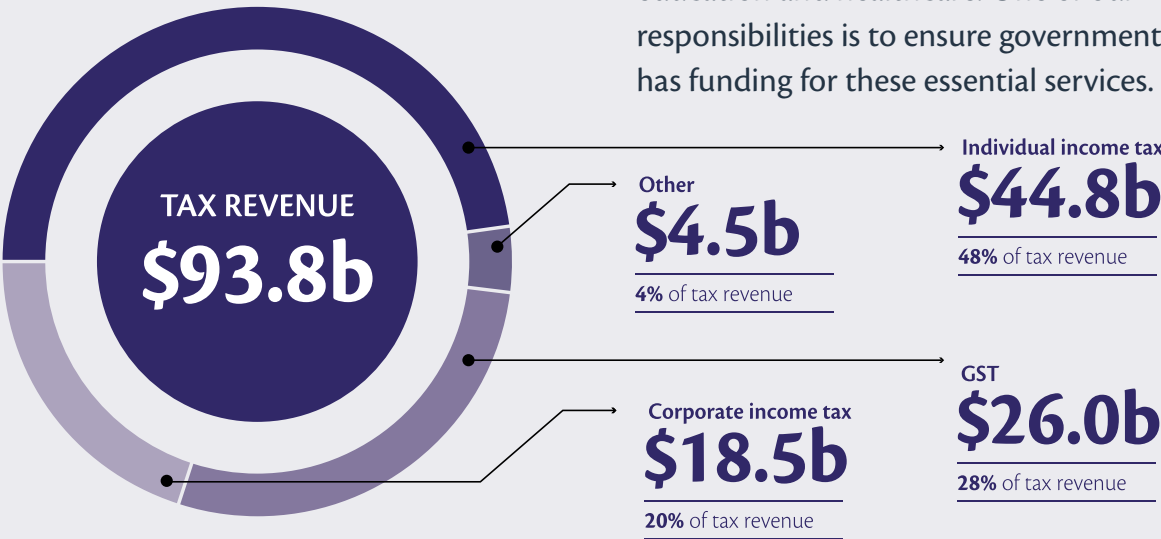
Cath Atkins

Deputy Commissioner of Inland Revenue
Kaikōmihana Tuarua o Te Tari Taake

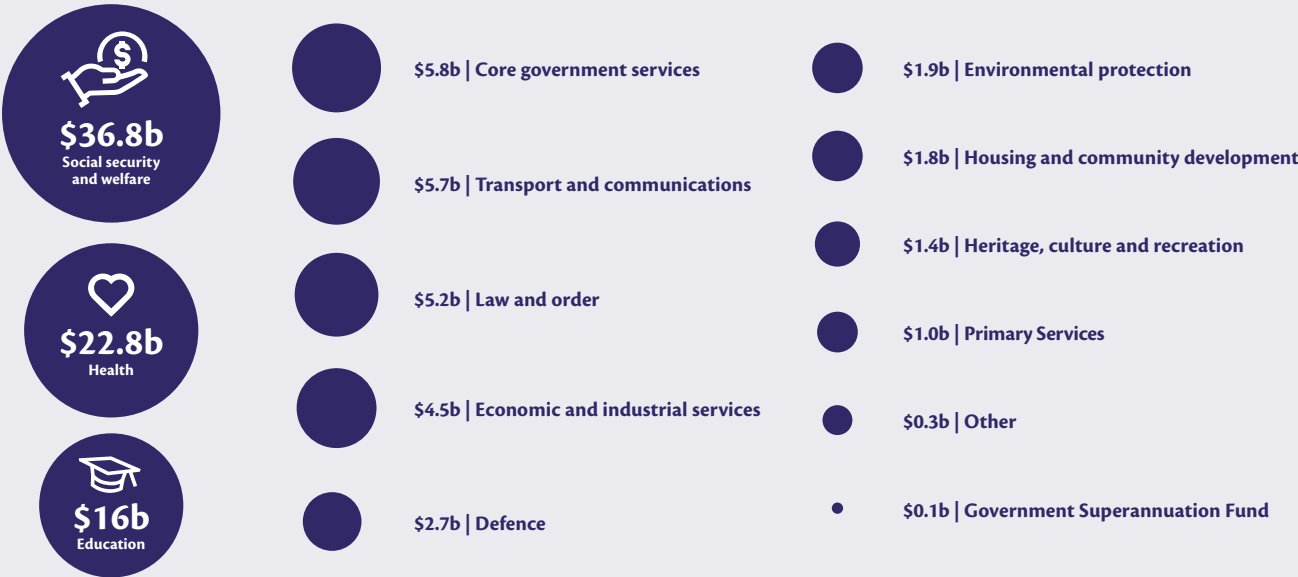
What Your Taxes Pay For

All New Zealanders benefit from tax
 Ka whai hua ngā tāngata katoa o
 Aotearoa i ngā tāke

The money Inland Revenue collects helps pay for the public services that all New Zealanders benefit from, such as education and healthcare. One of our responsibilities is to ensure government has funding for these essential services.



In 2020–21, Government spend was as follows:



For full details see: <https://www.treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2022>

New Zealand context

According to Statistics New Zealand census data, there are over 5 million New Zealand residents. Several thousand New Zealanders have also been coming back to New Zealand since March 2020, as the seriousness of the COVID-19 pandemic became apparent.

New Zealand individuals and businesses have become increasingly involved in international trade and investment. New Zealanders also have strong ties to other countries, including overseas family members, properties located offshore, overseas investment income and even overseas employment relations.

Although the vast majority of taxpayers voluntarily fulfill their tax obligations, some look for ways to evade or avoid paying their fair share. In doing so, they place an unfair burden on others and erode Government programmes from which all New Zealanders benefit.

The New Zealand Government wants a productive and inclusive economy, and needs a sustainable revenue base to fund improvements to the wellbeing of New Zealanders and their families. This means it is important for everyone to pay their fair share of tax in New Zealand.

New Zealand tax residents are generally required to pay tax on their worldwide income, even if they do not bring it into New Zealand and/or the other country or territory has deducted tax at source.

New Zealand taxes individuals on their worldwide income. This includes rental income from a property overseas; interest from an offshore bank account; and, dividends or deemed foreign investment income from a portfolio of overseas shares.

New Zealand has a self-assessment tax system, which is based on people voluntarily complying with their tax obligations. Taxpayers are best placed to assess their tax liabilities, and specific obligations are set out in law.

The integrity of the system is maintained because the majority of New Zealanders pay taxes and claim social support payments appropriately. They are confident in Inland Revenue's ability to take appropriate action against those who do not.

A significant portion of individual taxpayers (predominately salary and wage earners) are not required to submit an annual return and rely on the accuracy of pay-as-you-earn (PAYE) deductions made by their employer in respect of New Zealand-sourced income.

Income derived across an international border can potentially be subject to double taxation as a result of two countries taxing the same income. New Zealand relieves double taxation by unilaterally granting its residents credits for foreign tax paid on income that is also subject to New Zealand tax up to the amount of New Zealand tax liability on that income.

New Zealand has a network of 40 double tax agreements (DTAs) with its main trading and investment partners which refine and supplement the unilateral tax credit relief mechanism. The focus of DTAs is wider than the elimination of double taxation. They also reduce tax impediments to cross-border trade and investment and assist tax administration.

New Zealand has Tax Information Exchange Agreements (TIEAs) in force with 19 jurisdictions. These TIEAs allow the exchange of information for tax purposes between two jurisdictions.

New Zealand (along with over 140 jurisdictions) is also a signatory to the Convention on Mutual Administrative Assistance in Tax Matters (Multilateral Convention). The Multilateral Convention facilitates tax information exchange between jurisdictions. It is the most comprehensive multilateral instrument available for all forms of tax co-operation to tackle tax evasion and avoidance - a top priority for all jurisdictions.

Inland Revenue's role

Inland Revenue aims to be a world-class revenue organisation recognised for service and excellence.

Inland Revenue works with customers and other organisations to make compliance easy and to give New Zealanders confidence that everyone pays and receives the right amount.

Inland Revenue's role is to contribute to the economic and social wellbeing of New Zealand by collecting and distributing money.



We advise the Government on tax policy and the social policies we administer, together with other agencies where appropriate. This includes advising the Government on international tax issues and developing New Zealand's international tax legislation.

We have responsibility for, or a major role in:



Collecting revenue (most of the revenue we collect comes from income tax and GST)



Administering Working for Families Tax Credits, child support, KiwiSaver, student loans, paid parental leave, and unclaimed money



Sharing information with other agencies



Administering COVID-19 response packages - including the small business cashflow (loan) scheme and the resurgence support payment. We also support the Ministry of Social Development (MSD) to administer the wage subsidy scheme

Together with other government agencies we have a role to play in delivering inter-generational wellbeing and positive outcomes over time for all New Zealanders. This includes meeting our obligations under Te Tiriti o Waitangi and delivering on our role as part of the Māori Crown relationship.

Inland Revenue has been on a long Business Transformation journey to deliver a tax system fit for the future.

The characteristics of that system are:

- Greater speed and certainty through efficient self-management options for customers
- Broader approach to compliance based on smarter use of information
- A range of working relationships with other organisations
- Excellence in technical work.

Over the last five years we have made huge leaps and bounds in terms of adopting a Right from the Start (RftS) approach. Our Business Transformation programme is based on the RftS principles, especially focusing on tax compliance by design.

Inland Revenue now has a modern, digital tax system that is serving the needs of New Zealanders and fits seamlessly into their lives. Inland Revenue has been able to play a key role since 2020 to support all New Zealanders through the COVID-19 pandemic.

Inland Revenue has designed and deployed several tax and non-tax initiatives at speed. Our new systems enabled Inland Revenue to design initiatives based on a high-trust model whilst having appropriate system checks in place to protect the integrity of each initiative and the overall tax base.

Inland Revenue's international tax strategy

Inland Revenue's international tax strategy aligns well with Inland Revenue's Compliance Model which outlines the principles of how we interact with our customers.



SEE INLAND REVENUE'S FULL COMPLIANCE MODEL ON PAGE 10



International taxation matters can generally be divided into the following two categories:



The taxation of cross-border flows of income



International co-operation on both a multilateral and bilateral basis

Through the integration of this strategy, we expect to achieve a future state with the following characteristics:

- > A New Zealand economy made more competitive and productive by ensuring there is a level playing field for all tax-compliant customers, fewer competitive distortions and the lowest possible compliance costs
- > Increased assurance to the community that Inland Revenue is tackling abuse of our tax system, especially through our targeting of offshore arrangements involving low or no tax jurisdictions
- > Continued active collaboration across the globe with the aim to deliver the best outcomes right from the start for New Zealand.

Our international obligations/ standards

New Zealand is a member of the Organisation for Economic Co-operation and Development (OECD). The OECD has over many years promoted international co-operation in tax matters through exchange of information and has established the standard for what is effective exchange of information. This standard encourages transparency and information sharing in the global marketplace while facilitating tax compliance.

New Zealand fully endorses the OECD standard. In taxing residents generally on their worldwide incomes, transparency and information sharing are essential to facilitating compliance in New Zealand.

Exchange of information in New Zealand is governed by the relevant Exchange of Information Article of our DTAs or by TIEAs or through our far-reaching network enabled by the Multilateral Convention.

Through the DTAs, TIEAs and the Multilateral Convention New Zealand agrees with other countries to the following types of exchanges of information:

- Automatic or routine exchanges of datasets
- Specific exchanges on request
- Spontaneous exchanges.

In recent years New Zealand has also expanded its exchange of information programme as it has implemented key transparency initiatives such as FATCA with the United States, the Common Reporting Standard and the minimum standards resulting from Actions 5 (exchanges of summaries of tax rulings) and 13 (country-by-country reporting) of the Base Erosion and Profit Shifting (BEPS) Action Plan.

Inland Revenue regularly collaborates with other tax authorities in exchanging intelligence and matching data. Liaising closely with these jurisdictions provides greater transparency of cross-border transactions. As a consequence, Inland Revenue has been able to take compliance action against New Zealand residents who are not returning their worldwide income or are involved in aggressive tax planning arrangements.

The Competent Authority

The role of the Competent Authority (CA) is defined in our tax treaties and generally involves serving as the primary point of contact for both domestic taxpayers with offshore links and competent authorities in other jurisdictions.

The CA function facilitates the exchange of information and intelligence with tax treaty partners, both individual requests for information and automatic exchanges of information (such as FATCA and CRS). Mutual agreement procedure cases to eliminate double taxation or resolve double taxation disputes are also handled by the CA function.

New Zealand's CA function sits within Inland Revenue's International Revenue Strategy (IRS) team. As New Zealand's competent authority office, IRS administers New Zealand's international tax agreements. The relevant contact details for the CA are listed on page 23 and our website - Who we are (ird.govt.nz).

New Zealand's exchange of information programme

New Zealand has an extensive exchange of information programme and encourages international collaboration to the widest possible extent. New Zealand has signed up to several types of bilateral and multilateral exchanges.



Exchange of Information on Request

These are exchanges where information is requested from or by a treaty partner in respect of specific taxpayers or transactions. As one of their duties, the competent authorities must satisfy themselves that the information in question can appropriately pass between the two jurisdictions under the terms of the relevant tax treaty, including satisfying the limitations placed on such exchanges on the grounds of trade secrecy, public policy, or inconsistency with domestic laws or practices.



Exchange of Land Data

We annually exchange land data with many of our treaty partners. The data we exchange is a combination of information obtained from the land transfer tax statements received by Land Information New Zealand and our own internal tax data. We also receive similar information from some of our treaty partners which serves as good initial intelligence with an option to follow-up with further exchange of information requests during the course of more in-depth compliance work.



Spontaneous Exchange of Information

These are exchanges where information is proactively provided from or by a treaty partner in respect of specific taxpayers or transactions. We endeavour to be as proactive as possible in initiating spontaneous exchanges of information where we consider our treaty partners may be adversely impacted by arrangements that we have come across through our local compliance work.

Information of this kind may relate to situations in which there is some reasonable suspicion that items shown in a New Zealand tax return may not be dealt with in a symmetrical fashion in a corresponding overseas return or may not have been disclosed abroad at all. More generally, there may be an indication that taxes are being avoided or evaded on transactions with an international dimension. The actual exchanges to treaty partners must still be made by the Competent Authority.



Foreign Account Tax Compliance Act (FATCA)

New Zealand signed an Intergovernmental Agreement with the United States which resulted in changes to New Zealand's domestic legislation, and require financial institutions to send their annual FATCA disclosures directly to Inland Revenue to exchange subsequently with the US Internal Revenue Service.

New Zealand has been successfully exchanging this financial account information with the United States since September 2015, with US financial account data being provided in return.



Automatic Exchange of Information – Common Reporting Standard (CRS)

The CRS requires jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the types of accounts covered, as well as the due diligence procedures to be followed by financial institutions.

Currently there are well over 100 jurisdictions who have committed to this initiative on international tax transparency. New Zealand has been successfully exchanging CRS information around the world since September 2018 including with over 70 jurisdictions in 2021.

The increased transparency is a major step change which has altered the international tax landscape. This increased sharing of information on a regular basis creates the platform to deter, detect, and address tax evasion at an international level like never before. Access to this increased financial account information has further helped Inland Revenue realise its goal to be customer-centric and intelligence-led. We have been able to use this extensive information to further facilitate tax compliance in New Zealand.



Collection Assistance Arrangements under DTAs/ Multilateral Convention

We have a robust infrastructure in place to support efforts to collect tax debt internationally. We continue to work on extending and enhancing international mechanisms for collecting tax debt from defaulters who have left our jurisdiction. Such mechanisms enable us to request our treaty partners to collect tax debt on our behalf and vice versa. In this regard, we have five Competent Authority Arrangements with countries where we have considerable traffic – Australia, Canada, Japan, the Netherlands and the United Kingdom.



New Zealand Foreign Trusts (NZFTs)

A foreign trust is a trust set up in New Zealand with a New Zealand resident trustee, which has never had a New Zealand resident settlor. NZFTs are required to register with Inland Revenue and submit annual returns within six months of their balance date. NZFTs do not pay tax in New Zealand on their foreign-sourced income.

All the information collected during the registration and annual return process of an NZFT is shared with the Department of Internal Affairs (DIA) as the supervisor of trust and company service providers and the Financial Intelligence Unit (FIU) of the New Zealand Police. Both the DIA and FIU analyse and use the information provided as intelligence to feed into their inquiries and respective compliance programmes addressing money laundering and the financing of terrorism.

Where the trustee of an NZFT does not cooperate and the income tax exemption is revoked, we send the details of the settlor to the relevant tax treaty partner. This proactive exchange allows the other tax authority to also commence further inquiries into the settlor and the trust.

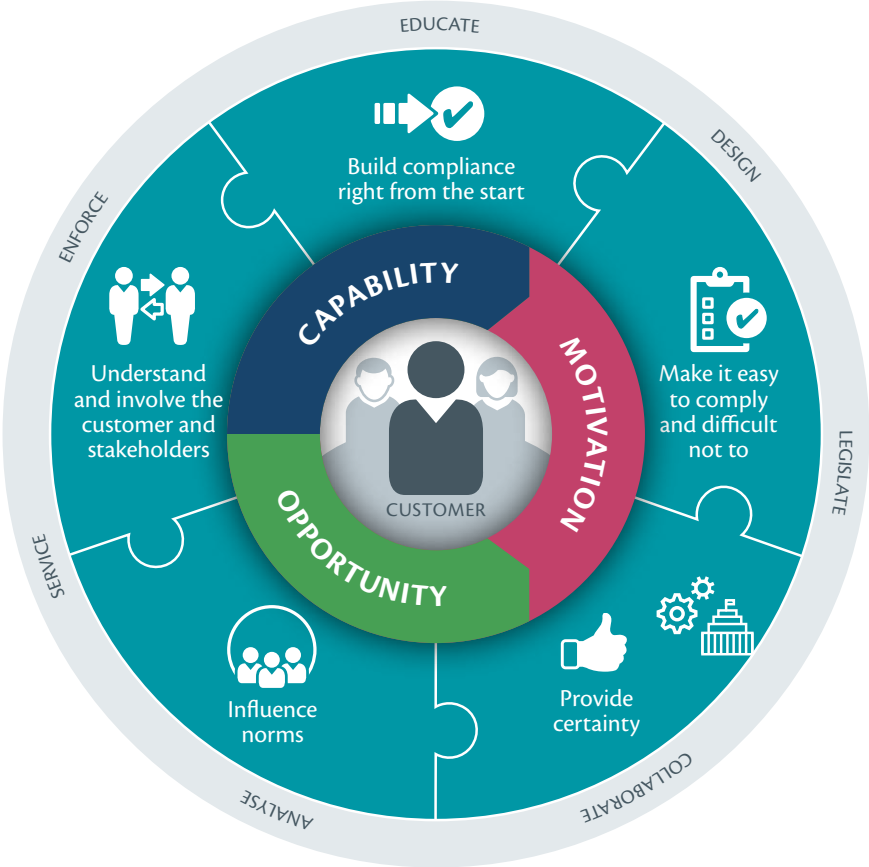
You can find more information on how to comply with the NZFT regime on our website - Foreign trusts with New Zealand resident trustees (ird.govt.nz).

Our compliance approach

Our compliance model underpins our customer-centric compliance approach.

Our compliance approach is based on the 'Right from the Start' approach that supports compliant behaviour, drives out error and at the same time reduces the possibilities of non-compliant behaviour. The intent is not just to reduce

unintentional mistakes but also to reduce the opportunities and occurrences of intentional evasion and to strengthen overall willingness to comply. We make proportionate responses to the risks identified and the behaviours exhibited.

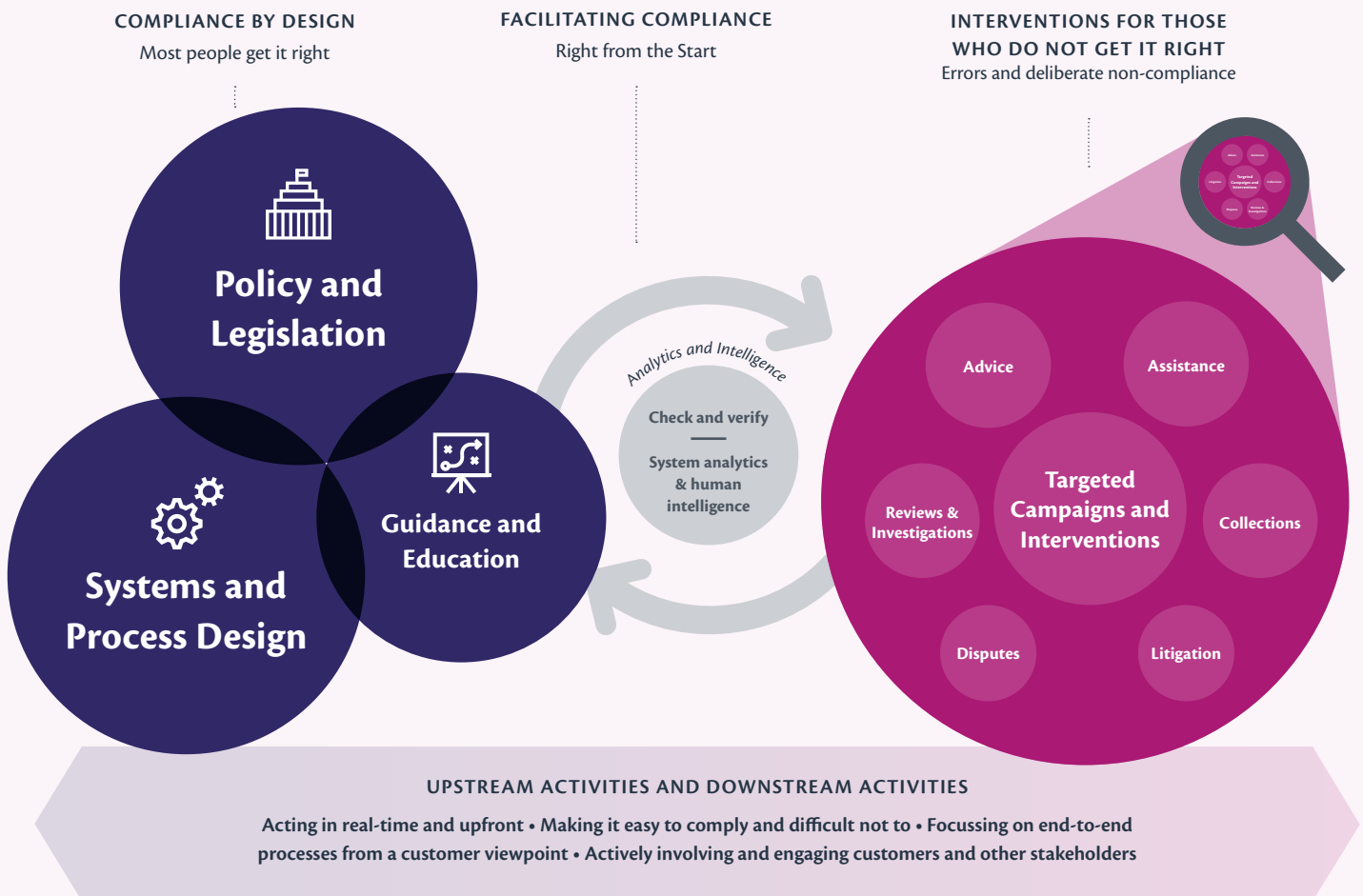


Our compliance framework

The framework illustrated in the diagram below demonstrates what we have been able to truly achieve through the success of our multi-year multi-stage transformation programme. Through our programme we have been able to design our systems and introduce new policies that enable us to assure a larger part of our tax base which means we collect more revenue with reduced effort.

We have designed and enhanced our systems and processes to automate and make it easier for our customers. Through effective policy and smart system design buttressed by the appropriate guidance we are now able to ensure that most New Zealanders get the right tax treatment at the right time through the right channels with minimal effort on their part.

Through our transformation programme we have also gained a wide suite of sophisticated analytical capabilities which enable us to be more real-time and truly intelligence-led. These new capabilities coupled with human intelligence serve us well to design and deploy effective compliance campaigns, with a suite of multi-faceted tailored interventions. This ability to target our interventions to the right customers means we are only in the lives of those customers who are deserving of further inquiries and interventions.



Our compliance themes

The world has truly become a smaller place through globalisation and rapid technological advancements, which have only further accelerated through the necessities created by challenges associated with the COVID-19 pandemic.

Individuals and businesses are now working and investing across borders more than ever, especially as technological opportunities have arisen to work remotely, and the expectation is that this will continue as the new norm post the pandemic.

This changing landscape coupled with the need for governments to collect more tax to fund the COVID-19 relief initiatives has meant the area of international tax has become even more of a focus around the globe.

The aim of our international tax work is to collect 'the right amount of tax at the right time through the right channels' and to ensure we are compliant with all the international standards, retaining New Zealand's very good international reputation.

While New Zealand has a relatively compliant culture, we still need to be vigilant and reduce any opportunities for tax evasion and tax avoidance. This is especially the case where low or no tax jurisdictions can be used to evade or avoid tax obligations - for instance, where promoters may offer to set up and manage offshore trusts or companies that seek to conceal taxpayers' beneficial ownership of assets.

We are aware of the ease with which New Zealand companies, limited partnerships and foreign trusts can be formed and potentially used to exploit our legislation from abroad. We work with our treaty partners on joint compliance approaches and the increased transparency through the various exchanges of information to combat such threats.

To this effect we focus on the following four key compliance themes:

1

Meeting our international obligations, through a comprehensive exchange of information programme

2

Effective use of the information and intelligence we receive from all our treaty partners, with a specific focus on New Zealanders with offshore investments and their tax residency status

3

Efficient administration of the New Zealand foreign trust regime

4

Supporting customers through any compliance issues arising as a result of the COVID-19 pandemic

Our compliance approach in practice

We successfully meet all our international obligations every year, with strong support from all reporting New Zealand financial institutions in respect of FATCA and CRS requirements. New Zealand's financial institutions are required to collect relevant financial account information on their customers and submit it to Inland Revenue to exchange with our treaty partners.

Inland Revenue has reviewed the top 40 reporting financial institutions in the last two years to ensure they have the right systems and processes in place to be able to successfully deliver the quality of information required under the CRS. These 40 financial institutions cover over 95% of the reportable accounts in New Zealand. Overall, we are pleased with the efforts made across the great majority of the financial institutions within New Zealand. We are closely working with those financial institutions whose systems were identified as needing improvements.

New Zealand is now fortunate to receive considerable financial intelligence to which we had only limited access in the past. Through FATCA and CRS we receive information on individuals and related entities that includes tax identification numbers and financial account information (with details of the financial institution in which they have invested and the account balances).

We match all the information we receive to what we hold in our systems and take a risk-based approach to verify and address any variances, ranging from clarification of residency status through to assessment of undeclared offshore income.

Based on our analysis of this information, we have developed a number of compliance campaigns targeting in particular:

- > Tax residence of highly mobile individuals
- > Misuse of low or no tax jurisdictions.

These campaigns create greater awareness and facilitate compliance. Since 2019, we have worked with almost 7,000 taxpayers and their agents to confirm they are meeting their international tax obligations in New Zealand and helped regularise tax affairs for those needing assistance.

The campaigns have brought in a number of other individuals and their associated tax obligations into our tax system. We have received more than 900 voluntary disclosures, and we expect to collect additional revenue annually from these customers without any further intervention. In nearly all other cases, satisfactory explanations and supporting information has been provided to enable verification.

We are also pleased to note that a number of New Zealanders heard about our campaigns third hand and have proactively made voluntary disclosures in respect of offshore income not previously returned, which highlights the benefits of this major transparency initiative and its wider deterrence effects.

We have seen many errors arising from a lack of awareness of obligations and the need to return overseas income in New Zealand, especially where the customers have had withholding tax deducted in other jurisdictions. Overall, we have found the majority of New Zealanders want to comply, the very few who are reluctant to cooperate are referred for more intensive audit examination.

Top 10 facts

ABOUT INTERNATIONAL TAX



Your tax residency **STATUS** in New Zealand is different from your immigration status.



In general, New Zealand tax residents pay income tax on their **WORLDWIDE** income while non-residents pay on income from New Zealand.



Your worldwide income can include **FOREIGN** income even if you have not repatriated it to New Zealand or you have paid tax on it in the other country or the income is exempt in the other country.



Some rules in New Zealand may tax **CAPITAL GAINS** and may do so even though the gain has not been realised. Examples include the foreign investment fund rules and financial arrangements rules.



New tax residents and former tax residents returning after **10 YEARS** may qualify for a temporary tax exemption on most, but not all, forms of foreign income.



New Zealand will usually give a **CREDIT** for tax paid to another country, capped at the amount of tax payable here on the foreign income.



We advise you to consult a tax **AGENT** knowledgeable in international tax if you're not sure how the law applies to your situation as some of the rules can be complex.



If New Zealand has a **DOUBLE** tax agreement with another country, it may affect how your income is taxed.



There are shortfall penalties for not declaring income but they can be reduced by up to 100% if you make a **VOLUNTARY** disclosure.



Inland Revenue exchanges financial **INFORMATION** about taxpayers annually with many other countries and matches it to tax returns.

Helping you get it right from the start...

We have provided assistance to taxpayers and their agents in relation to foreign income, covering a number of issues:

Transitional residence

There is a 48-month period for transitional residents. If this time is exceeded, transitional residents become subject to New Zealand tax on their worldwide income. The period of transitional residence begins on the first day of residence in New Zealand.

It ends on the earlier of:

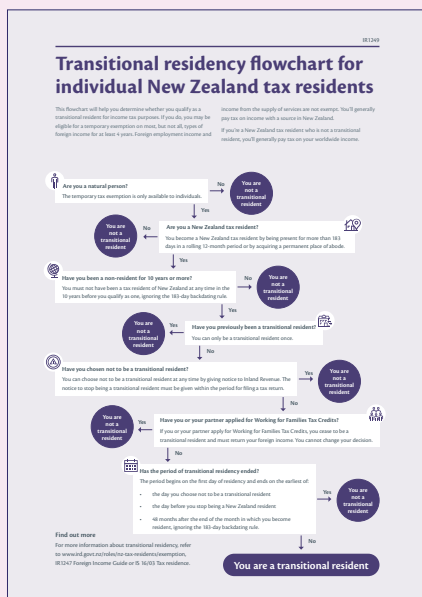
- when the person stops being a New Zealand tax resident
- on the last day of the 48th month after the month in which they first satisfied the tax residence tests.

You can also lose your transitional residence status if you or your partner apply for Working for Families Tax Credits or if you opt out.

In general, foreign-sourced income is exempt when earned by a transitional tax resident except for the following:

- foreign-sourced employment income
- foreign-sourced income relating to services.

Some transitional residents may have planned to leave the country before the 48-month transitional residence period ended but because of COVID-19, they have been unable to easily leave the country. A person should not be regarded as no longer a transitional resident just because they are stranded in New Zealand because of COVID-19. If a person leaves New Zealand within a reasonable time after they are no longer practically restricted in travelling, then extra days (i.e. when the person was unable to depart) will be disregarded.



SEE INLAND REVENUE'S TRANSITIONAL RESIDENCY FLOWCHART FOR INDIVIDUAL NEW ZEALAND TAX RESIDENTS ON PAGE 19

Foreign dividend income and the foreign investment fund (FIF) rules

If you are a New Zealand tax resident who is not a transitional resident and own shares in a foreign company, the FIF rules may apply.

You need to calculate FIF income from a shareholding in a foreign company when:

- the total cost of all your FIF interests is over \$50,000
- the shareholding is not exempt from the rules.

If you or your shareholding is exempt from the FIF rules, other rules apply. You'll usually need to include any dividends you receive in your IR3 return and may have to pay tax on any gains from trading or buying with the purpose of sale.

Foreign dividend income and the controlled foreign company (CFC) rules

If you are a New Zealand tax resident who is not a transitional resident and have an income interest of 10% or more in a CFC, you may have to pay tax on income attributed from that company.

“Control” for CFCs usually means total ownership of the non-resident company by a New Zealand resident. However, control can exist where:

- 5 or fewer New Zealand residents have a control interest of more than 50%
- 5 or fewer New Zealand residents control the shareholder decision rights
- a single New Zealand resident has a control interest of 40% or more, and no non-associated non-resident owns a larger control interest.

Foreign interest income and the financial arrangements rules

If you are a New Zealand tax resident and party to a financial arrangement, you may have income under the financial arrangements rules.

Financial arrangements involve a deferral between when money is provided and when it's returned. Common examples are bank accounts and term deposits held in foreign currencies.

Foreign pension income and the foreign investment fund rules

If you are a New Zealand tax resident who is not a transitional resident and are a beneficiary or member of a foreign superannuation scheme, you may have to calculate FIF income and include it in your IR3 return. If this is the case, you do not have to include the pension payments.

If the FIF rules do not apply, the pension payments received from a foreign superannuation scheme are taxable and need to be included in your IR3 return.

Foreign superannuation scheme withdrawals and the foreign investment fund rules

If you are a New Zealand tax resident who is not a transitional resident and have an interest in a foreign superannuation scheme, you might have to pay tax on lump sum withdrawals or transfers.

Foreign rental income

If you are a New Zealand tax resident who is not a transitional resident and own rental property overseas, you would generally need to pay tax on any rental income.

The rules for calculating income in the other country may differ from New Zealand and require you to make adjustments.

Foreign property gains

If you are a New Zealand tax resident who is not a transitional resident and purchased a property overseas with the intention of selling it, any gains may be taxable even if the property was your main home and even if you also paid tax overseas.

Foreign social security pensions

If you are a New Zealand tax resident who is not a transitional resident and receive a social security pension from another country, you will usually have to pay tax on it here.

If the other country also deducts tax, you may be able to claim a foreign tax credit in your tax return.

Foreign beneficiary income and taxable distributions from trusts

If you are a New Zealand tax resident who is not a transitional resident and a beneficiary of a trust, you are generally taxable on your worldwide income. This can include beneficiary income and taxable distributions from any trust or estate overseas.

Taxpayers working remotely in New Zealand for overseas employers

With the emergence of COVID-19 there have been a large number of New Zealanders returning to New Zealand and continuing to work remotely for non-resident employers, who have no other presence here. In addition, there have been visitors deciding to stay in New Zealand or come to New Zealand due to the COVID-19 pandemic, who are working remotely for their overseas employer while in New Zealand. Both of these scenarios pose different tax issues that need to be considered.

An exemption is provided for certain income that a non-resident derives from performing personal or professional services in New Zealand during a short-term visit of less than 92 days. If the visit is for more than 92 days, all income derived from the time of arrival is subject to tax in New Zealand. However, it is worth noting that this can be extended to 183 days, if there is a DTA between New Zealand and the other jurisdiction of residence, in terms of the employment/income for dependent services article.

New Zealand-based overseas employees should register as IR56 taxpayers, to ensure PAYE is still deducted in the scenarios outlined above. This means filing monthly PAYE returns declaring your salary and wages; and, paying PAYE to Inland Revenue.

In addition, if New Zealand has sole taxing rights in terms of a DTA you will be unable to claim a foreign tax credit. This relates to the tax that your employer may still be deducting for the salary and wages they are paying you from overseas. So that you are not double taxed, you will need to approach your overseas-based employer and request that they not deduct tax from your salary and wages. You will need to liaise with your employer and approach the overseas tax authority to request a refund of tax incorrectly deducted from your salary and wages while you have been working in New Zealand.

Offshore is no longer off limits



OFFSHORE investments have become far more transparent with the automatic exchange of financial account data under New Zealand's extensive network of international tax treaties.



All G20 countries, OECD members and offshore finance centres have **COMMITTED** to the exchange of information standards set through the OECD.



Inland Revenue has close working relationships with major tax treaty **PARTNERS** and is an active participant in both bilateral and multilateral projects dealing with data leaks such as the Panama Papers and the Pandora Papers.



Taxpayers should be wary of any offshore arrangement involving secrecy or concealment – arrangements that involve disguised ownership or hidden income should be treated with great **CAUTION**.



Make no mistake – increased international co-operation, improved technology and risk assessment capabilities, as well as the intelligence we continue to obtain, all mean it's very unwise to not declare offshore **INCOME**.



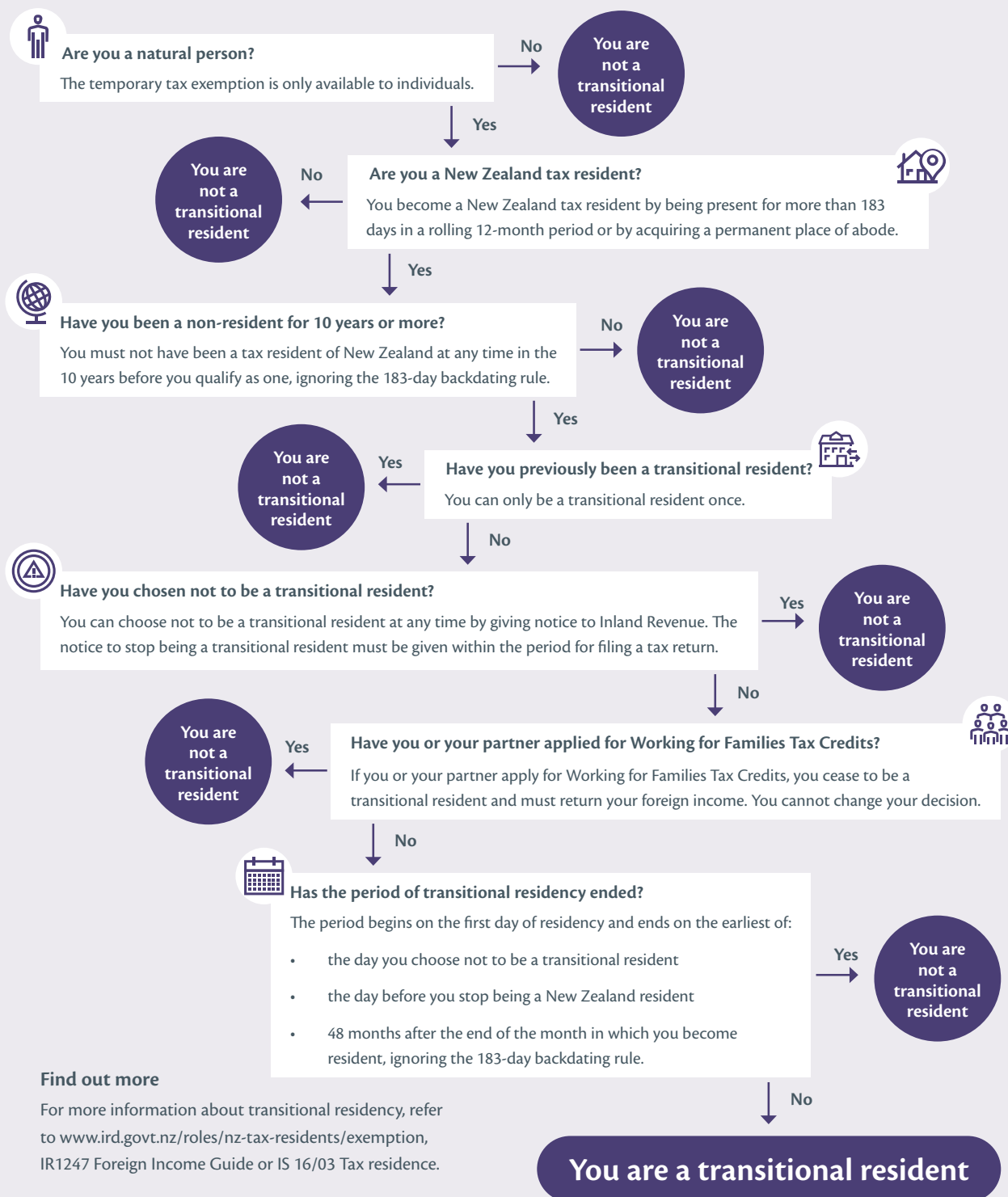
If you have not declared offshore income, then you should think seriously about taking professional advice to **REGULARISE** your taxation affairs through filing proactively a voluntary disclosure with Inland Revenue.

Transitional residency flowchart for individual New Zealand tax residents

This flowchart will help you determine whether you qualify as a transitional resident for income tax purposes. If you do, you may be eligible for a temporary exemption on most, but not all, types of foreign income for at least 4 years. Foreign employment income and

income from the supply of services are not exempt. You'll generally pay tax on income with a source in New Zealand.

If you're a New Zealand tax resident who is not a transitional resident, you'll generally pay tax on your worldwide income.



Find out more

For more information about transitional residency, refer to www.ird.govt.nz/roles/nz-tax-residents/exemption, IR1247 Foreign Income Guide or IS 16/03 Tax residence.

You are a transitional resident

International collaboration

Inland Revenue actively collaborates with treaty partners to identify and combat any opportunities for offshore evasion and other aggressive tax planning matters. Stronger collaboration and international partnerships provide earlier insights into schemes that are developed abroad and subsequently marketed in New Zealand. The various exchanges of information provide considerable intelligence.

Increasing level of globalisation has made international collaboration more of a necessity than an option. This collaboration provides assurance that Inland Revenue is aligned to international best practice. Specifically, this enables:



New Zealand to meet its international obligations

The enhancement of our reputation internationally

Capacity building through international learning opportunities and sharing best practices

There are several key international networks in which Inland Revenue actively participates.

OECD standards

Our commitments to internationally agreed standards account for the vast bulk of our resource committed to meeting our international obligations. All of the international exchange of information standards are set by consensus at the OECD and have a direct impact on Inland Revenue's international tax strategy and policy settings.

Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC)

Inland Revenue actively participates in the JITSIC Network which brings together over 35 of the world's national tax administrations that have committed to more effective and efficient ways to deal with tax avoidance. The network provides tax administrations with an agile mechanism for information exchange and collaboration, while ensuring that all exchanges of information are in accordance with the provisions of an effective bilateral or multilateral tax convention or a tax information exchange agreement. Inland Revenue has benefited through the sharing of intelligence and strategies dealing with emerging international tax risks as well as advances in analytical techniques and best practice compliance approaches. We also benefit from collective evaluation of major international data leaks via JITSIC, such as the Panama Papers and more recently the Pandora Papers.

Study Group on Asia-Pacific Tax Administration and Research (SGATAR)

Inland Revenue is a member of SGATAR and actively participates in all SGATAR-related activities, which facilitate greater understanding between all Asia-Pacific nations, their context and what drives their respective compliance approaches.

International capacity building

Inland Revenue plays an active role on the global stage, assisting other countries' tax organisations to build their capabilities. We provide experts on an ongoing basis to train other tax administrations in all aspects of international exchange of information.

Outreach to Asia-Pacific region

Working with international partners, we have been especially focused on supporting the implementation of international tax standards in Asia and the Pacific. We work closely with

OECD (Global Relations), SGATAR, and the Pacific Islands Tax Administrators Association (PITAA) to provide one-to-many outreach tax technical assistance.

Inland Revenue is a significant partner in the Pacific Initiative, a joint effort launched in 2020 involving the Australian Taxation Office, the Asian Development Bank, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the OECD, PITAA and the World Bank Group. This initiative has been established to support the efforts of 16 Pacific jurisdictions in the phased implementation of tax transparency standards to prevent tax evasion and avoidance, while strengthening domestic resource mobilisation, taking into account the circumstances and specific needs of the Pacific Islands.

International disputes – Mutual Agreement Procedure

New Zealand has 40 DTAs, each with an article establishing a mutual agreement procedure (MAP) for resolving difficulties arising out of the application of the particular DTA. New Zealand has 11 TIEAs in force which also contain a MAP article, as well as 6 supplementary agreements to these TIEAs which include a MAP article.

Under the MAP article, the competent authorities of the contracting states engage with each other and endeavour to resolve disputes that arise from the way one or both contracting states are interpreting or applying the particular DTA. This process effectively equips the tax administrations with the practical means to ensure that cross-border income earning activity is taxed correctly in accordance with DTAs.

Our overall aim is to complete MAP cases within 12 months of receiving a request for assistance. The time taken to resolve MAP cases will vary depending largely on the complexity of the matter in dispute. We have experienced a moderate case load in recent years with good turnaround times.

New Zealand is a member of the Forum on Tax Administration's MAP Forum and has committed to resolving treaty-related disputes within an average timeframe of 24 months. We have also been subject to a rigorous peer review by the MAP Forum, the main recommendation being that we update a number of our older DTAs to the latest wording of the OECD Model Tax Convention, which we are progressing.

For further details on how to apply for a MAP request you can go to our website - [Mutual agreement procedure \(MAP\) \(ird.govt.nz\)](https://www.ird.govt.nz/mutual-agreement-procedure).

What's on the horizon?

Inland Revenue will continue to run compliance campaigns to verify and facilitate compliance by New Zealand tax residents in returning their offshore income.

We have an ongoing monitoring programme:

- ensuring customers continue to return their overseas income as agreed during recent reviews carried out
- verifying customer records against additional information received from treaty partners for later years.

Inland Revenue has been working hard to assist customers regularise their tax affairs, and in most cases a voluntary disclosure has been accepted and penalties reduced. However, if the position is not maintained in future years (without a valid reason, i.e. a change in circumstances) or we receive additional information as to previously undisclosed sources of offshore income, then the review of these customers will be escalated to more in-depth examination.

In the spirit of increasing tax transparency to facilitate international tax compliance, the OECD has been working on two major new initiatives to address information gaps, leveraging off concepts and principles established in formulating the CRS.

Gig and Sharing Economy

Over the last decade, the ability for buyers and sellers to connect through electronic marketplaces and digital platforms has created a new kind of economic activity which is becoming increasingly popular. This rapid growth of the gig and sharing economy has resulted in governments across the world evaluating their tax systems to ensure that tax settings do not create barriers to sensible economic activities, and also to ensure that tax is collected in respect of these activities.

The gig and sharing economy has the potential to generate economic benefits, providing innovative services for consumers and opportunities for employment that are flexible and accessible. However, the gig and sharing economy business model does not fit neatly within existing tax rules and administration.

There are various options to address this issue, including opportunities to improve compliance of sellers with their tax obligations, and increase fairness between traditional sellers and sellers operating in the gig and sharing economy.

The new OECD initiative establishes a best practice for jurisdictions to collect and exchange information, creating further transparency in relation to the operations of these platforms and in particular the income derived by sellers.

Crypto Assets

The rise of crypto assets which are frequently offered, traded and serviced by non-regulated or lightly-regulated intermediaries has picked up considerable speed in the last few years.

The OECD is developing a framework for crypto-asset reporting by brokers, dealers and exchanges. It is proposed that these intermediaries report information about crypto-asset holdings and transactions, ensuring a level playing field with traditional financial products. Under this initiative, jurisdictions would then share this information with each other to give tax administrations visibility and enable effective risk assessments to be carried out.

Contacts

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Glossary

CA Competent Authority	CFC Controlled Foreign Company	CRS Common Reporting Standard
DIA Department of Internal Affairs	DTA Double Tax Agreement	FATCA Foreign Account Tax Compliance Act
FIF Foreign Investment Fund	FIU Financial Intelligence Unit	G20 Group of 20 Highly Developed Countries
GST Goods and Services Tax	IRS International Revenue Strategy	JITSIC Joint International Taskforce on Shared Intelligence and Collaboration
MAP Mutual Agreement Procedure	NZFT New Zealand Foreign Trust	OECD Organisation for Economic Co-operation & Development
PAYE Pay As You Earn	PITAA Pacific Islands Tax Administrators Association	RftS Right from the Start
SGATAR Study Group on Asia-Pacific Tax Administration and Research	TIEA Tax Information Exchange Agreement	

For more information please refer to:

- www.ird.govt.nz/international-tax/exchange-of-information/crs
- www.ird.govt.nz/international-tax/exchange-of-information/fatca
- www.ird.govt.nz/international-tax/double-tax-agreements
- www.ird.govt.nz/international-tax/foreign-trusts-nz-resident-trustees
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