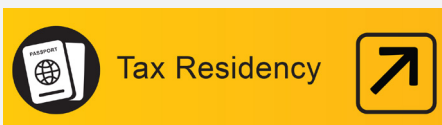




Tax issues to consider when an individual migrates to New Zealand permanently

The latest figures show that New Zealand continues to be an attractive destination for migrants, whether it be for temporary employment or work projects, or to call New Zealand home on a permanent basis. According to Statistics New Zealand, annual migration was estimated to be a net gain of 61,600 to the year ended February 2019, an upwards trend from the previous year.

A number of tax issues may come up when an individual migrates to New Zealand. Some of these issues are discussed briefly below. For more detailed discussion of tax issues for inbound and outbound migrants, including employee tax issues, refer to the [New Zealand Tax Handbook for Inbound and Outbound Migrants](#).



Tax Residency

Tax Residency: A person's tax residency should be determined when they migrate to New Zealand. Tax residency is crucial because it will form the basis of the person's New Zealand tax liabilities. New Zealand adopts a "worldwide" approach to taxing income. This means that if a person is New Zealand tax resident, they are taxed on both their New Zealand and foreign income. Importantly, residency for tax purposes is not the same as residency for immigration purposes. A person can become tax resident well before they acquire a resident visa or become a New Zealand citizen.



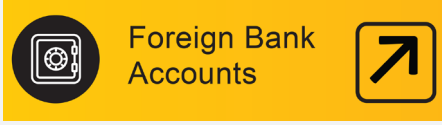
Transitional Residency

Transitional Resident: A person moving to New Zealand may qualify to be a transitional resident. It's important to identify if a person qualifies as a transitional resident as their foreign sourced income will generally be exempt from tax for roughly four years from the time they become New Zealand tax resident, unless the person elects not to be a transitional resident.



Trusts

Trusts: There may be issues to consider if the person has settled trusts prior to moving to New Zealand permanently. If the person or another New Zealand tax resident beneficiary expects to receive distributions from the trust, then the tax treatment of those distributions will have to be determined.



Foreign Bank Accounts

Foreign Bank Accounts: A person who migrates to New Zealand may have foreign bank accounts. These bank accounts may give rise to tax issues, including the question of how any foreign exchange gains and losses should be treated. One possibility is that the financial arrangement rules may apply to the bank account.



Foreign Superannuation Schemes



Foreign Superannuation Schemes: A non-resident may contribute to a foreign superannuation (“super”) scheme while they are living and working overseas. This might be a work-related super scheme or a private scheme. The non-resident may subsequently migrate to New Zealand and either continue to hold their interest in the super scheme or make a withdrawal or transfer. How should these withdrawals or transfers be treated in the person’s New Zealand tax return? This is a complex issue and comes down to the circumstances of the person.



Overseas Rental Properties



Overseas Rental Properties: A non-resident may own overseas rental properties which they continue to own after moving to New Zealand. A New Zealand tax resident is subject to tax on rental income from properties located in New Zealand and overseas. Therefore, any rental income from overseas rental properties may have to be included in the person’s New Zealand tax return.



Foreign Shares



Foreign Shares: A person moving permanently to New Zealand may have acquired shares in foreign companies while he or she was non-resident. Therefore, when the person becomes New Zealand tax resident the foreign shares will become subject to New Zealand taxation, unless the person is a transitional resident.



Tax Returns



Tax Returns In Year of Arrival: Non-residents moving to New Zealand permanently may need to file tax returns once they gain their New Zealand tax residency (eg if they do not qualify as a transitional resident). For the year of arrival, the person should file an IR 3 (as opposed to an IR 3NR). The non-resident form (IR 3NR) is only used if the person was a non-resident for the whole of the income year.



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New Zealand Tax Handbook for Inbound and Outbound Migrants

Written in a clear and accessible style, this handbook provides an everyday guide on migrant tax issues, complete with examples, tables, flowcharts and rulings to help users grasp important concepts.

This book is an invaluable resource to help navigate your way through cross-border tax issues for migrants.

Here’s what users of the book have to say . . .

“It is substantial reference material and in my role of advising both inbound and outbound migrants, the book is my first port of call.”

Des Trigg | Tax Consultant

“Excellent book. It is easy to read & really helpful. Your explanation of the tax treatment of trusts upon migration of settlors & trustees is what I’ve been looking for for years.”

Sean Parsons | Chartered Accountant