

NEW ZEALAND TAX RESIDENCE

A reminder that once a person is New Zealand tax resident, they are liable to report total world-wide income for New Zealand tax purposes. There is **never** double taxation (either under domestic law or under the Double Tax Agreement (DTA) between NZ and Hong Kong).

Hong Kong operates under a territorial system. It taxes Hong Kong sourced income only. This of course is in direct contrast to New Zealand. So becoming New Zealand tax resident creates quite a monetary problem. Income in excess of NZ\$70,000 per annum is taxed in New Zealand at 33%. Hong Kong's tax on salaried income is tiered up to 17% levied on taxable income after several exemptions and exclusions ; but nobody pays more than the standard rate of 15% . Profits tax is applied at a rate of 16.5% but again after several waivers are applied. Thus when one talks about no double taxation, the amount of Hong Kong tax paid against a New Zealand tax assessment is minor.

How then does one establish New Zealand tax residency? Under domestic law there is the physical presence test (in effect being boots on the ground for 6 months in **any** 12 months). The second test is *permanent place of abode* (not defined); but in effect a place to occupy at any time in New Zealand. As a non-resident, this will have little impact given the introduction next year (Labour Coalition) preventing non-residents from owning residential homes.

Finally, even if New Zealand takes the view that one is resident under domestic law, you can rely on the provisions of the DTA, which is in effect a tie-breaker test, in case the domestic law of each country has one resident in both.

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