

UK PENSIONS

TRANSITIONAL RESIDENCE

PAYING NO TAX ON ZERO-RATE INCOME

charter square

WELLINGTON AUCKLAND MANCHESTER

GETTING YOUR TRANSITIONAL STATUS RIGHT

If you are a transitional tax resident, as defined in the flowchart on the next page and within your transitional tax residency exemption period, you will not pay tax on your investment earnings on funds held in a zero-rate PIE superannuation scheme.

According to legislation the transitional resident rate, when elected applies for 48 months from the date of first becoming tax resident in New Zealand. However, according to Section CX56 (1B) (c) of the Income Tax Act, where the 48 month period ends during a tax year, the period for a zero-rate PIE fund is extended to the beginning of the next tax year i.e. 1 April. As the timings of the transitional residency exemption are moveable and the IRD systems do not always capture the most accurate information it is in your best interests to ensure that they are accurately recording your tax situation.

We note that transitional residents are not required to notify the IRD of their election to be taxed as a transitional resident on their foreign assets. However, we encourage members to contact the IRD directly and request that a "Temporary Tax Exemption" indicator be added to their accounts. This will stop the IRD requesting changes to your 0% rate with the New Zealand superannuation scheme that you are a member of.

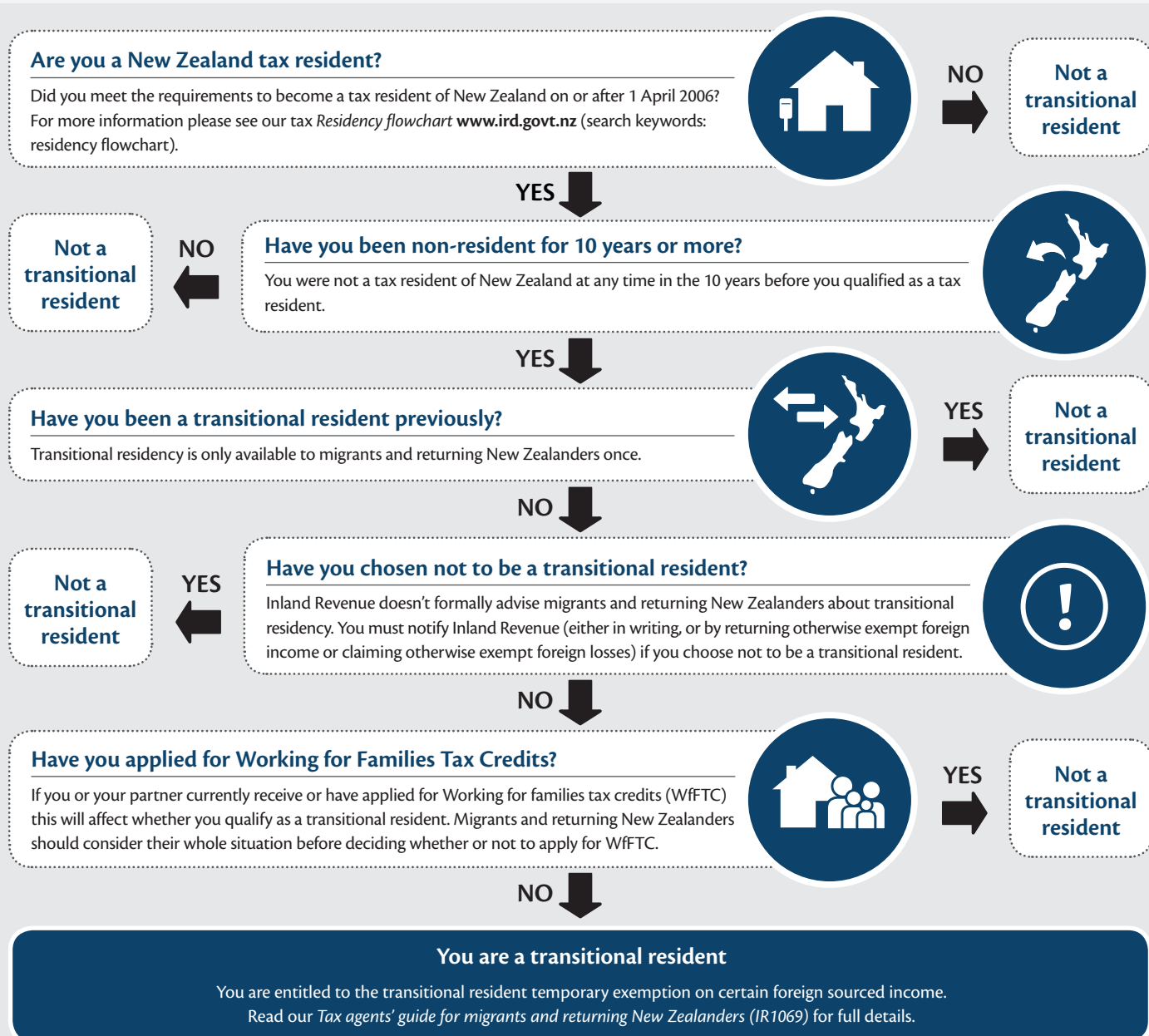
Transitional residency flowchart

Use this flowchart to work out whether your client is a transitional tax resident. If they are it may affect the tax treatment of certain foreign income.

Migrants and returning New Zealanders may qualify as transitional residents if they meet certain conditions. If they do they may be entitled to a four-year temporary tax exemption on certain foreign income.

Inland Revenue doesn't formally advise migrants and returning New Zealanders about transitional residency or the exemption.

Transitional residency is a domestic law test. International tax agreements are not considered when determining whether a person is a transitional tax resident.



Find out more

For more information about transitional tax residency and the questions in this flowchart, read our *New Zealand tax residence (IR292)* guide, or our *Tax agents' guide for migrants and returning New Zealanders (IR1069)*.

If you've chosen not to be a transitional tax resident, you can advise Inland Revenue through your myIR secure online account or in writing.

SIMPLE FACTS ABOUT US

over
5,000
transfers

worth
\$500m
transferred

from
800
UK pension
providers

Charter Square has been transferring UK pensions to New Zealand since 1999. As one of the first pension transfer providers in the world Charter Square has amassed an extensive and unrivalled knowledge of the QROPS market and the tax and legislative environment. Our staff present to NZ Government Select Committees, assist the IRD on foreign superannuation taxation legislation and are regularly consulted as experts by media and the Institute of Financial Advisors on QROPS and UK pension transfers.

Charter Square operate an office in the UK to liaise directly with your UK pension provider in the relevant time zones to ensure your transfer is executed on a timely basis and without problems. Our processes of thorough New Zealand scheme review and detailed understanding of your UK pension(s) allow you to receive a full and robust opinion on your UK pension and the implications of transferring it.

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