

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.

Are you a New Zealand tax resident?

Did you meet the requirements to become a tax resident of New Zealand on or after 1 April 2006? For more information please see our tax *Residency flowchart* www.ird.govt.nz (search keywords: residency flowchart).



NO NO

Not a transitional resident

YES _

Not a transitional resident



Have you been non-resident for 10 years or more?

You were not a tax resident of New Zealand at any time in the 10 years before you qualified as a tax resident.





Have you been a transitional resident previously?

Transitional residency is only available to migrants and returning New Zealanders once.





Not a transitional resident

Not a transitional resident



Have you chosen not to be a transitional resident?

Inland Revenue doesn't formally advise migrants and returning New Zealanders about transitional residency. You must notify Inland Revenue (either in writing, or by returning otherwise exempt foreign income or claiming otherwise exempt foreign losses) if you choose not to be a transitional resident.





Have you applied for Working for Families Tax Credits?

If you or your partner currently receive or have applied for Working for families tax credits (WfFTC) this will affect whether you qualify as a transitional resident. Migrants and returning New Zealanders should consider their whole situation before deciding whether or not to apply for WfFTC.





Not a transitional resident



You are a transitional resident

You are entitled to the transitional resident temporary exemption on certain foreign sourced income. Read our *Tax agents' guide for migrants and returning New Zealanders (IR1069)* for full details.

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.

Classified Inland Revenue - Public www.ird.govt.nz

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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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