



Overseas pensions and annuity schemes

This guide contains information on the taxation of foreign superannuation lump sums and overseas pensions.

For information about overseas social security pensions, read our guide *Overseas social security pensions (IR 258)*.

www.ird.govt.nz

Go to our website for information, and to use our services and tools.

- **myIR secure online services** – log in to file your EMS, IR 3 or GST return or registration; manage your student loan; view your account balances and transactions; view or update your personal or family details and income, request or confirm your PTS and send us secure mail.
- **Demonstrations** – view online demonstrations of some of the tasks you can complete using your myIR secure online services ID and password.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides and fill in forms online, or download them to fill in and post to us.

Some of our services now pre-fill your information, making it easier and faster to deal with us.

How to get our forms and guides

You can view copies of all our forms and guides by going to www.ird.govt.nz and selecting “Forms and guides”. You can also order copies by calling 0800 257 773.

Contents

www.ird.govt.nz	2
How to get our forms and guides	2
Terms we use	4
Introduction	6
Are you a New Zealand tax resident?	6
Have you recently moved to New Zealand?	7
How we tax your foreign superannuation scheme	8
Using the FIF rules from 1 April 2014	8
Schedule and formula tax methods	10
Four-year exemption period for foreign superannuation withdrawals	11
Calculating your assessable period	12
The schedule method	12
The formula method	15
Tax on lump-sum withdrawals and transfers made between 1 January 2000 and 31 March 2014	16
15% option	17
KiwiSaver withdrawal facility	18
How we taxed your foreign superannuation scheme before 1 April 2014	19
Foreign investment funds (FIF)	19
If the FIF rules didn't apply	20
How we tax your periodic pension	21
How a double tax agreement could affect your New Zealand tax	22
No foreign tax credit available	22
Where a foreign tax credit is available	25
No tax in New Zealand	26
Australian pensions	26
Converting overseas currency amounts to New Zealand dollars	27
More help if you need it	28
Need to talk to us?	28
0800 self-service numbers	28
Customer service quality monitoring	29
Privacy	29
If you have a complaint about our service	29

Terms we use

Annuity – a sum of money paid regularly, usually for a fixed total annual amount.

Foreign superannuation scheme – a savings plan, sometimes called a *pension* or *retirement plan* created outside New Zealand, to accumulate funds for retirement. The scheme is often set up through an employer, trade union or insurance company. On retirement it's paid out as a lump sum, pension or both. **It doesn't include** an arrangement set up under another country's social security law to provide retirement benefits resembling New Zealand Superannuation.

A life insurance policy is generally not classed as a foreign superannuation scheme. Instead, you'll need to apply the foreign investment fund (FIF) rules to work out your tax obligations for your foreign life insurance policy. For more information about your obligations under the FIF rules see *A guide to foreign investment funds and the fair dividend rate (IR 461)*.

Foreign superannuation withdrawal – an amount received from a foreign superannuation scheme that is not a pension or annuity. This includes:

- a cash withdrawal
- a transfer from a foreign superannuation scheme into a New Zealand superannuation scheme
- a transfer from a foreign superannuation scheme outside Australia into an Australian superannuation scheme
- a withdrawal from a foreign superannuation scheme to reinvest as an interest of another person in a superannuation scheme. In some circumstances, it may exclude transfers on the death of a spouse or under a relationship property agreement following a relationship split.

Grandparenting – where you have correctly applied the FIF rules to your interest in a foreign superannuation scheme in an income tax return lodged before 20 May 2013 and continue to do this for all income years after 1 April 2014.

Pension – a regular payment, generally from a foreign superannuation scheme or pension fund, when you reach retirement age.

Permanent place of abode – to have a permanent place of abode in New Zealand there must be a place where you usually live or could live in New Zealand, ie, a house or other dwelling. If there is somewhere in New Zealand you could live, all of your ties and links with New Zealand need to be considered to decide whether it's your permanent place of abode. The types of ties that are relevant are:

- whether you make trips back to New Zealand and for how long
- your past use of the dwelling in New Zealand
- family and social ties
- employment, economic and property ties
- whether you intend to come back to New Zealand to live (and if you do, when).

If you have strong ties to New Zealand it's likely you have a permanent place of abode in New Zealand, but all of your circumstances need to be considered.

Social security pension – an income entitlement generally based on citizenship or residence and administered or paid by the government or state of a particular jurisdiction, for example, the State Pension in the United Kingdom (UK) and New Zealand Superannuation in New Zealand.

Taxable income – income you have to pay tax on.

Introduction

This guide explains your tax responsibilities if you have an interest in a foreign superannuation scheme, or you receive an overseas periodic pension. It doesn't explain your tax obligations if you have an overseas social security pension—for more information on this, see our *Overseas social security pensions (IR 258)* guide.

If you're a New Zealand tax resident, you're generally taxed only on the payments or transfers from the scheme. In some cases you may be taxed annually on the increase in value of your interest in a foreign superannuation scheme.

You'll find information in this guide on:

- working out if you're a New Zealand tax resident
- whether you'll have to pay tax on the value of your investment, on lump-sum withdrawals and transfers (known as "foreign superannuation withdrawals"), or on the pension payments
- how a New Zealand double tax agreement could affect your tax
- whether you can claim a tax credit in your New Zealand tax return for tax paid overseas.

Are you a New Zealand tax resident?

If you're a New Zealand tax resident, you generally have to include your worldwide income in your New Zealand tax return, unless that income is exempt under our tax laws. This includes your foreign superannuation scheme (sometimes known as an overseas pension scheme or retirement plan).

You're a New Zealand tax resident if:

- you have a "permanent place of abode" in New Zealand, or
- you've been in New Zealand for more than 183 days in any 12-month period and not become a non-resident, or
- you're away from New Zealand in the service of the New Zealand Government.

If you're a New Zealand tax resident, you become a non-resident for tax purposes if:

- you no longer have a permanent place of abode in New Zealand, and
- you're away from New Zealand for more than 325 days in any 12-month period. These don't have to be consecutive days and part-days are counted as full days of presence in New Zealand.

You can find more on tax residency at www.ird.govt.nz (search keywords: tax residency) and in the Tax Residence Interpretation Statement IS14/01, and the *New Zealand tax residence (IR 292)* guide.

Have you recently moved to New Zealand?

If you're a new migrant or a returning New Zealander you may qualify to be a transitional resident. This means you're exempt from paying tax on most of your overseas income for a temporary period. You're a transitional resident if:

- you've qualified as a tax resident in New Zealand on or after 1 April 2006, and
- you're a new migrant or a returning New Zealander, who hasn't been resident for tax purposes for at least 10 years before arriving in New Zealand, and
- neither you nor your partner are receiving Working for Families Tax Credits, and
- you haven't been a transitional resident at all before.

Where these conditions are met, you're a transitional resident and the exemption starts for you on the first day you're a tax resident. It ends 48 months after the month you meet the requirements for being a New Zealand tax resident.

The tax exemption is automatically granted if you qualify. However, you can elect not to be a transitional resident.

You can read about the four-year exemption period for foreign superannuation withdrawals on page 11.

You can find more on the temporary tax exemption for transitional residents at www.ird.govt.nz (search keywords: temporary tax exemption).

How we tax your foreign superannuation scheme

From 1 April 2014, the foreign investment fund (FIF) rules generally no longer apply to interests in foreign superannuation schemes that are acquired while the holder isn't a New Zealand tax resident. Interests in foreign superannuation schemes are taxed when you withdraw a lump sum or transfer your interest to a New Zealand or Australian scheme, or when you receive a pension from the scheme.

This section explains your tax obligations on lump-sum withdrawals or transfers from a foreign superannuation scheme made:

- from 1 April 2014, or
- prior to 1 April 2014 if you didn't comply with the tax rules that applied at the time.

For more information about how we tax periodic pensions see page 21.

Using the FIF rules from 1 April 2014

In some cases you must, or may, apply the FIF rules in relation to your interest in the foreign superannuation scheme.

Distributions are considered under the FIF rules, so you don't pay tax again when you receive a payment or make a transfer.

For more information about your obligations under the FIF rules see *A guide to foreign investment funds and the fair dividend rate (IR 461)*.

If you're a New Zealand tax resident when you first join the scheme

If you're a New Zealand tax resident when you first join a foreign superannuation scheme, you need to apply the New Zealand FIF rules every year. This is regardless of whether you acquired your rights in the scheme before or after 1 April 2014.

Grandparenting rules

If your interest in a foreign superannuation scheme was first acquired while you were a non-tax resident and you correctly applied the FIF rules to it in a tax return lodged before 20 May 2013, you can:

1. continue to apply the FIF rules to that interest, or
2. apply the new rules (refer to “schedule and formula tax methods” on the next page).

You must meet the following criteria in each income year you want to apply the FIF rules to a particular foreign superannuation interest, for all income years from 1 April 2014:

- you must have had an attributing interest in a FIF for an income year ending before 1 April 2014. This is the “qualifying year”. For that qualifying year:
 - you must have calculated your FIF income or loss arising from that attributing interest under one of the approved methods, and
 - included that FIF income or loss in a tax return filed with Inland Revenue before 20 May 2013, and
- from the end of the qualifying year to the beginning of the current year, (the “qualifying period”) you must have:
 - continued to hold the interest in the foreign superannuation scheme, and
 - calculated your FIF income or loss from your interest for all income years, and
 - returned it in all tax returns for income years in the qualifying period.

The criteria are applied on an interest-by-interest basis, so you may be grandparented for one interest but not another.

To remain grandparented, you must continue to return FIF income or losses for your grandparented interest in all future income years. If you do this, any future distributions from your scheme won't be taxed.

If you don't correctly return FIF income or losses for an income year during which you still hold the interest, that interest ceases to be grandparented. Any subsequent lump-sum withdrawals or transfers will be taxed under the new foreign superannuation scheme tax rules as a foreign superannuation withdrawal (ie, under the schedule method or formula method) or when you receive a periodic pension. In this situation you won't get any credit for the tax you've paid under the FIF rules.

Schedule and formula tax methods

In most cases you'll pay income tax when you receive a foreign superannuation withdrawal unless you qualify for an exemption.

There are two methods available to you from 1 April 2014 to tax this income:

- **The schedule method** – this is the default method. Using this method means a certain portion of your foreign superannuation withdrawal will be income and is based on the number of years you've been a New Zealand tax resident.
- **The formula method** – this is an alternative to the schedule method and can be used if your foreign superannuation scheme is a defined contribution scheme and certain other requirements are met. It taxes the actual investment gains that have accrued to your scheme while you've been a New Zealand tax resident.

These two methods are only available if you acquired your interest in the foreign superannuation scheme while you were a non-resident for New Zealand tax purposes. If you were a New Zealand tax resident when you first acquired the interest see page 8.

Calculating your assessable income using either method requires you to calculate your assessable period – see page 12.

Note

A transfer of your foreign superannuation interest from one scheme into another non-Australian foreign superannuation scheme isn't a foreign superannuation withdrawal and so it's not taxed at that point. However, it will affect how your assessable period is calculated.

In some circumstances, a transfer of a foreign superannuation interest from one New Zealand tax resident (the transferor) to another (the recipient) isn't taxed. This happens when:

- the transferor first acquired the interest while a non-resident, and
- the transferor and recipient were married or in a relationship, and
- the transfer occurs:
 - following the death of the transferor, or
 - under a relationship agreement resulting from a relationship split.

This will affect how your assessable period is calculated.

Note that insurance policies generally don't fall within the meaning of a superannuation scheme, so the schedule and formula methods don't apply to foreign life insurance policies. Instead, you'll need to apply the FIF rules to your foreign life insurance policy. For more information about your obligations under the FIF rules see *A guide to foreign investment funds and the fair dividend rate (IR 461)*.

Four-year exemption period for foreign superannuation withdrawals

The four-year exemption period is similar to the transitional resident tax exemption and applies to foreign superannuation withdrawals received during the period.

If you qualify for a four-year exemption period, a foreign superannuation withdrawal received during this period is exempt from New Zealand tax.

If you qualify for a four-year exemption period and receive a foreign superannuation withdrawal after your exemption period:

- the schedule method ignores your years of residence during the exemption period
- the formula method doesn't tax the gains that have accrued to your scheme during the exemption period.

The exemption doesn't require a person to be a non-tax resident for a minimum period. The exemption period is available to both new migrants and returning New Zealanders.

This exemption applies if you:

- first acquired an interest in a foreign superannuation scheme while a non-resident for New Zealand tax purposes, and
- haven't previously had this exemption.

The exemption starts on the first day you're a New Zealand tax resident.

It finishes 48 months after the month you first meet the requirements for being a New Zealand tax resident, by either having a permanent place of abode or by being in New Zealand for more than 183 days in any 12-month period. The exemption also ends if you become a non-tax resident.

The timing is the same as the transitional resident tax exemption. However, you'll still qualify for this exemption if you cease to be a transitional resident because you receive Working for Families Tax Credits, or if you don't meet the requirements to qualify as a transitional resident.

Calculating your assessable period

Your assessable period starts when your exemption period ends, eg, if the last day of your exemption period is 30 September, the first day of your assessable period is 1 October. If you don't have an exemption period, your assessable period starts on the first day you're a New Zealand tax resident with an interest in a foreign superannuation scheme.

Your assessable period ends when you receive your foreign superannuation withdrawal. It doesn't include any periods of non-tax residence.

If you transferred your interest from one foreign superannuation scheme (scheme A) into a non-Australian foreign superannuation scheme (scheme B), there's no tax on that transfer. If you then transfer to a New Zealand or Australian superannuation scheme (this means you receive a foreign superannuation withdrawal from scheme B), your assessable period starts on the same day as your assessable period for scheme A.

If your scheme interest came from your previous spouse or partner because they died or as part of a relationship agreement following a relationship split, and the transfer wasn't taxable at the time, then your assessable period starts on the same day as their assessable period for that interest.

The schedule method

This method uses set percentages that represent the proportion of your foreign superannuation withdrawal which you'll need to include as assessable income in your income tax return. The schedule year percentages increase with the number of years you're a tax resident in New Zealand. The rest of your foreign superannuation withdrawal not deemed to be assessable income is exempt from New Zealand tax, and is not included in your income tax return.

Calculate your assessable income for the schedule method as follows:

$$\begin{aligned} & (\text{superannuation withdrawal} - \text{contributions left}) \\ & \times \text{schedule year \%} \end{aligned}$$

Put the amount of your foreign superannuation withdrawal in the "superannuation withdrawal" part of the formula.

What are “contributions left”?

If the contributions you’ve made while you’ve been a New Zealand tax resident satisfy all the following conditions, you may be allowed a deduction for these contributions:

- You must be a New Zealand tax resident and treated as a New Zealand tax resident under all applicable double tax agreements when the contributions are made.
- They must be made by you, your employer, or for your benefit.
- They are required under the rules of your foreign superannuation scheme.
- They’re subject to employer superannuation contribution tax or fringe benefit tax if they’re made by your employer.

A given contribution may only be deducted once, and only the contributions made during the assessable period that fit the above criteria can be deducted.

Insert the amount of contributions that satisfy all of these requirements in the “contributions left” part of the formula. This amount can’t be greater than the amount of your foreign superannuation withdrawal.

Calculating the “schedule years”

To get the appropriate “schedule year %” calculate the number of income years that start in your assessable period. Then use the table on page 14 to get the corresponding percentage. If no income years have started in your assessable period, use the schedule year 1 percentage.

For most people, the income year starts on 1 April and ends on 31 March.

If your income year is 1 April – 31 March, then your 2014 income year covers the period 1 April 2013 – 31 March 2014.

If your income year begins on 1 April, an easy way to calculate the correct number of years to find your schedule year percentage is to count the number of times 1 April occurs during your assessable period. If the result is zero, eg, your assessable period starts on 1 October and you receive your foreign superannuation withdrawal later that month, then you’ll use year 1.

You can also find the correct number of years using the following steps:

1. Work out the last day of your four-year exemption period. If you don't have one, work out the last day you were a non-tax resident with an interest in your scheme.
2. Take note of the income year this date falls in. This is year A.
3. Also note the income year you receive the foreign superannuation withdrawal. This is year B.
4. Subtract year A from year B. This gives you the "year" to use in the table below. (If the result is zero, you use year 1).
5. Now find your percentage.

Schedule year percentages

Year	Percentage %
1	4.76
2	9.45
3	14.06
4	18.60
5	23.07
6	27.47
7	31.80
8	36.06
9	40.26
10	44.39
11	48.45
12	52.45
13	56.39
14	60.27
15	64.08
16	67.84
17	71.53
18	75.17
19	78.75
20	82.28
21	85.74
22	89.16
23	92.58
24	95.83
25	99.08
26+	100

Example

Steve became a New Zealand tax resident on 21 February 2006. On 12 August 2018, he withdrew \$25,000 from his foreign superannuation scheme.

He made no other withdrawals, and no further contributions were made after 21 February 2006.

Steve's four-year exemption expired on 28 February 2010, which is in the 2010 income year (year A). The lump sum was withdrawn in the 2019 income year (year B).

Year B (2019) – year A (2010) = 9, so the percentage to use is 40.26% — see highlighted row in the table on page 14.

Steve must include \$10,065 as assessable income in his 2019 tax return ($\$25,000 \times 40.26\% = \$10,065$).

The formula method

This method is an alternative to the schedule method and can only be used for foreign defined contribution schemes, if all of these conditions have been met:

- You must have the information required to use the formula method.
- You must not have received a distribution from the scheme before 1 April 2014, other than a pension or an annuity.
- You haven't used the schedule method before for this scheme.

If the interest came from your previous spouse or partner after they died or as part of a relationship agreement following a relationship split, they must not have used the schedule method for the interest.

The formula method uses a number of formulae. Because these are quite complex we recommend you talk with a tax professional if you're thinking about using this option.

You'll need to know what the value of your scheme was at the beginning of your assessable period, the value of previous superannuation withdrawals (if any), and the value of your scheme before your most recent foreign superannuation withdrawal.

You can find more information and examples in the *Tax Information Bulletin* Vol 26 No 4 (May 2014) and at www.ird.govt.nz (search keywords: formula method).

Tax on lump-sum withdrawals and transfers made between 1 January 2000 and 31 March 2014

If you received a payment or made a withdrawal prior to 1 April 2014 and you didn't pay any tax at the time, you may need to consider whether you have tax obligations in respect of previous years (generally for the 2013–14 and earlier years).

If you made the withdrawal or transfer between 1 January 2000 and 31 March 2014 or applied to withdraw or transfer the amount by 31 March 2014, and you didn't comply with the tax laws at the time you can:

- pay tax on 15% of the withdrawn or transferred amount using the 15% option, or
- return your income by:
 - filing previous year tax returns using the tax rules that existed at the time of the withdrawal or when you held the interest (either ordinary tax rules or the FIF rules), or
 - asking us to amend previous year tax returns using the tax rules that existed at the time of the withdrawal or when you held the interest (either ordinary tax rules or the FIF rules).

If you use the tax rules that existed at the time of the withdrawal or when you held the interest, you may need to pay penalties and use-of-money interest.

However, if you:

- acquired your interest in a scheme while you were non-resident, and
- didn't receive any payments or make a transfer from a foreign superannuation scheme before 1 April 2014, and
- haven't returned any income under the FIF rules

then there's generally nothing you need to do in respect of previous tax years.

15% option

This option allows you to include 15% of the lump sum withdrawn or transferred as income in your tax return. You can use it if you've withdrawn a lump sum from or transferred your foreign superannuation scheme between 1 January 2000 and 31 March 2014, but didn't comply with your tax obligations at the time.

The 15% option is also available if you made a formal request to withdraw or transfer your funds by 31 March 2014, even if you didn't receive the funds until after this date. If this applies to you and you want to use this option, you have to show us that you did everything you needed to do to withdraw or transfer your funds by 31 March 2014. If you meet this requirement, but don't want to use the 15% option, please see the schedule and formula tax methods on page 10.

The 15% must be returned in either your 2013–14 or 2014–15 income tax returns as overseas income. The corresponding 2013–14 or 2014–15 due dates for tax will apply.

Example

Kathryn transferred \$150,000 from her foreign superannuation scheme to a New Zealand scheme in February 2004. She didn't include this income in her IR 3 return for the 2003–04 income year, and didn't pay tax on her interest under the FIF rules.

She decides to use the 15% option for her lump-sum transfer. She declares \$22,500 (being 15% of \$150,000) as income in her IR 3 return for the 2014–15 income year.

Kathryn will be liable for any penalties or use-of-money interest applied to her 2013–14 tax return, not her 2003–04 tax return.

For further information and examples please refer to the *Tax Information Bulletin* Vol 26 No 4 (May 2014).

KiwiSaver withdrawal facility

If you transfer a lump sum from your foreign superannuation scheme into a KiwiSaver scheme, this could make it difficult for you to meet your resulting tax obligation, because KiwiSaver schemes are locked in until retirement.

The withdrawal facility gives you the option to request a withdrawal from your KiwiSaver scheme to meet your income tax and student loan repayment obligations that arise from the transfer.

The withdrawal amount is limited to the amount of tax and/or student loan repayment obligation. This facility isn't available for any resulting penalties and interest.

The maximum amount that you may withdraw to meet your income tax obligation is the lesser of:

- your tax obligation resulting from the transfer of your foreign superannuation interest into a KiwiSaver scheme, and
- your terminal tax obligation for the tax year that your foreign superannuation income was assessed.

The maximum amount you may withdraw to meet your student loan repayment obligation is the amount of repayment obligation that arose from the transfer of your foreign superannuation into a KiwiSaver scheme.

To make an application for a withdrawal you need to have included the income resulting from the transfer in your income tax return. You must apply within 24 months from the end of the month that your income tax and/or student loan repayment obligation is assessed.

Your KiwiSaver provider deals with the application and you're required to make a statutory declaration containing details of the tax obligation.

If you're thinking about making a withdrawal from your KiwiSaver scheme to pay your tax obligation, contact your KiwiSaver provider for information about this.

If you're thinking about using this withdrawal facility, remember that making a withdrawal could trigger obligations or conditions imposed when you transferred your foreign superannuation interest into KiwiSaver. This may include penalties imposed on withdrawals made within a certain period following migration (possibly under the rules of the scheme, or under the other country's law).

How we taxed your foreign superannuation scheme before 1 April 2014

Before 1 April 2014, your foreign superannuation scheme was taxed either:

- on the increase in value of your investment under the foreign investment fund (FIF) rules, or
- if the FIF rules didn't apply, on any payments (income) from the scheme. This generally included pension payments, lump-sum withdrawals and transfers to other schemes.

It's also possible that the temporary exemption for transitional residents may have applied to some or all of your payments. See page 7 for further details.

These rules can be complex and you may want to get advice from a professional specialising in this area.

If you still hold some of your interest in the foreign superannuation scheme—see page 8.

Foreign investment funds (FIF)

Your interest in a foreign superannuation scheme was likely to have been a FIF before 1 April 2014, unless, for example it was a locked-in scheme (according to certain criteria), or an Australian superannuation scheme.

The FIF rules generally didn't apply if all your overseas portfolio interests were worth less than \$NZ50,000, or in the first four years after you first became a New Zealand resident (before 1 April 2006).

If the FIF rules applied, you needed to calculate your taxable FIF income for each year that you held the FIF interest under the FIF rules at the time, and include it in your *Individual tax return (IR 3)* for those years.

When your scheme was taxed as a FIF, no other income from the scheme was taxable in New Zealand.

For more information about FIF, go to www.ird.govt.nz (search keywords: foreign investment funds) or read our *Guide to foreign investment funds and the fair dividend rate method (IR 461)*.

If the FIF rules didn't apply

If the FIF rules didn't apply, you needed to pay tax on any income/payments you received from the foreign superannuation scheme. This generally included pension payments and, in some cases, lump-sum withdrawals and transfers from the scheme. If there were no payments or transfers from the scheme, there was no income to be returned for New Zealand tax purposes.

If you did receive income or payments from the scheme, you were generally required to include the before-tax (gross) income in your *Individual tax return (IR 3)*.

The amount of tax to pay generally depended on the legal structure of your foreign superannuation scheme such as whether the scheme was a company, trust, or unit trust.

Example

Christine is a new migrant and became a New Zealand tax resident on 30 January 2002. Christine transferred \$150,000 from her foreign superannuation scheme to a New Zealand scheme in February 2004. She didn't include this income in her IR 3 return for the 2003–04 income year.

She decides to use the law that applied at the time she made the withdrawal to calculate the tax on her lump-sum transfer. In her situation, her interest wasn't an interest in a FIF, and the majority of her \$150,000 was a return of capital, and only \$2,000 of the amount was income. She has her 2003–04 IR 3 return amended to include the \$2,000.

Christine will be liable for penalties and use-of-money interest from the 2003–04 income year.

How we tax your periodic pension

Most periodic pensions received from foreign superannuation schemes are taxed in full and you need to include the before-tax (gross) income in your *Individual tax return (IR 3)*.

However, in a very small number of cases, your periodic pension may be taxable in the other country which holds the taxing rights under a double tax agreement. See pages 25 and 26 under “Where a foreign tax credit is available” and “No tax in New Zealand”.

If you receive a social security pension, please refer to the *Overseas social security pensions (IR 258)* guide for more information on how this is taxed in New Zealand.

How a double tax agreement could affect your New Zealand tax

How the payments you receive from your foreign superannuation scheme (retirement lump sums and periodic pensions) are treated depends on whether New Zealand has a double tax agreement or a tax information exchange agreement with the country where your superannuation scheme is and whether the agreement contains an article on pension taxing rights.

Each double tax agreement and tax information exchange agreement is different and may treat periodic pensions and retirement lump sums differently. It's important to check the terms of the appropriate double tax agreement or tax information exchange agreement to make sure you pay the right amount of tax and claim the right amount of foreign tax credits in your New Zealand tax return.

You can find out more about New Zealand's double tax agreements, tax information exchange agreements and the right to tax pension income at www.ird.govt.nz (search keywords: double tax agreement).

No foreign tax credit available

If tax was paid overseas on pensions or retirement lump sums where the tax treaty rules didn't allow this, then you should apply to the foreign superannuation scheme administrators or to the overseas tax authorities for a refund. You **can't** claim the overseas tax paid as a foreign tax credit in your New Zealand tax return.

You should also advise the foreign superannuation scheme administrators that you're a New Zealand tax resident and apply to have your pension paid without them deducting tax.

If you're a tax resident of New Zealand and you receive UK pension payments, you should:

- Fill out the relevant HM Revenue and Customs (HMRC) application form "Form New Zealand – Individual". This application form asks the UK tax authority not to tax UK income and also to refund UK income tax deducted from payments made.
- Send the form to New Zealand Inland Revenue to certify you're a New Zealand tax resident to:

Team Leader
Transactional Team
Manukau
PO Box 76 198
Auckland 2214

or email it to:

Transactional.International@ird.govt.nz

These forms can be found at www.hmrc.gov.uk/cnr/nz_indiv.pdf

Example

James, a former UK citizen, retired to New Zealand and became a New Zealand tax resident. He receives a yearly pension of £18,000 from his former UK employer, and £3,500 tax is deducted in the UK.

Because his UK pension scheme was exempt from the FIF rules, he converts the before-tax amount into New Zealand dollars and declares this income in his *Individual tax return (IR 3)* each year. Because the pension is only taxable in New Zealand under the tax treaty between New Zealand and the UK, he cannot claim the UK tax paid as a foreign tax credit in his IR 3 return.

Instead, James contacts HMRC to claim a refund and apply for an exemption so his pension will be paid free of any UK income tax in future.

If you receive a pension from a country, other than the UK, and require assistance to apply for a refund, contact us at the address above.

Transitional residents

If you're a transitional resident completing an application for double taxation relief (such as the HMRC form mentioned previously) to confirm with the foreign jurisdiction that you'll pay tax in New Zealand on that pension, we'd treat the application as notice that you've made an election **not** to be a transitional resident.

Please note that such a notice is irrevocable. If you're in doubt please contact us before you send us an application for double taxation relief to:

Team Leader
Transactional Team
Manukau
PO Box 76 198
Auckland 2214

or by email at:

Transactional.International@ird.govt.nz

Part B of the HMRC form

The HMRC form for relief referred to above asks at Part B, Question 3:

"From what date have you paid, or will you pay, tax in New Zealand on income that you include in this claim? (This may differ from the date you have given in answer to question 2.)"

Where you don't have to pay tax in New Zealand on this income, you need to give the reason(s) on a separate sheet.

If you're using this form you must include the date you paid or will pay tax in New Zealand on income included in this claim. If your pension is taxable from the date your transitional residency ends or has ended, use that date to answer this question.

If you don't have to pay tax in New Zealand on the pension income this form relates to because you are or have been a transitional resident, you need to give details of your transitional residency on a separate sheet attached to the form.

Note

If you're a transitional resident and you confirm that you've paid or will pay tax in New Zealand on the pension income from a date that falls within your transitional residency period on this form, we'll treat this as notice that you've elected not to be a transitional resident.

This could happen in applications made to other foreign jurisdictions for double taxation relief. Transitional residents should be careful not to elect out of the transitional residence rules by advising the foreign jurisdiction that the pension income received during the transitional residency has or will be subject to New Zealand tax.

Please contact us at the above address before you send us any application for double taxation relief if you are in any doubt.

Where a foreign tax credit is available

In a few situations, New Zealand will give a foreign tax credit for income tax paid overseas. Generally this is where the tax treaty gives the source country the right to tax or partially tax the pension, or where there's no tax treaty with that country.

To find out if you can claim a foreign tax credit on your overseas pension go to www.ird.govt.nz (search keywords: double tax agreement).

Where a foreign tax credit is available, you need to include the before tax (gross) income in your New Zealand tax return. You can then claim a tax credit for the tax paid overseas.

If you're allowed to claim a tax credit in your New Zealand tax return for the tax paid overseas, the New Zealand foreign tax credit is limited to the lowest of the following:

- the actual tax paid overseas
- the amount of New Zealand tax you would have paid on the same income
- the rate set out in the relevant tax treaty.

New Zealand only has a partial right to tax a Russian social security pension—only 50% of the payment before tax (and 50% of the normally allowable foreign tax credits) should be included in your New Zealand tax return.

You'll need to convert the tax paid on overseas income to New Zealand currency using the same method you used for the income—see page 27.

To claim a foreign tax credit, you must give us proof of the tax deducted, eg, an overseas tax deduction certificate.

No tax in New Zealand

In a very small number of cases, New Zealand has no right to tax pension income and the income shouldn't be included in your New Zealand tax return. This applies, for example

- to social security pensions from Finland, France, Germany (Deutsche Rentenversicherung Bund), the Philippines, and the United States of America, and/or
- war pensions from France and Germany.

In certain circumstances some pensions paid for government service may also be exempt from New Zealand tax.

To find out whether or not your particular pension is taxable in New Zealand, go to www.ird.govt.nz (search keywords: double tax agreement).

For information about overseas social security pensions, read our guide *Overseas social security pensions (IR 258)*.

Australian pensions

If you receive an Australian pension that would have been taxable in Australia had you received it while still resident there, then it's taxable in New Zealand and you need to include it in your New Zealand tax return. You'll be able to claim a foreign tax credit.

If you receive an Australian pension that wouldn't have been taxable in Australia had you received it while still resident there, then it's exempt in New Zealand and you don't need to include it in your New Zealand tax return.

You also don't need to include lump sums from Australia paid:

- by a retirement benefit scheme
- as a result of retirement, invalidity, disability or death
- by way of compensation for injuries

in your New Zealand tax return. These are taxed only in Australia.

Contact the Australian Taxation Office to check if the Australian pension you receive would normally be taxed in Australia.

Converting overseas currency amounts to New Zealand dollars

You need to convert the overseas currency amounts (taxable income and foreign tax credit claims) into New Zealand dollars.

Pension payments made to a New Zealand bank account will have already been converted to New Zealand dollars.

Otherwise you can do the currency conversion by:

- going to www.ird.govt.nz (search keywords: overseas currency) and using the latest rates
- using the mid-month exchange rates published in our *Conversion of New Zealand dollars to overseas currency (IR 270)* exchange rate form. This is published in May each year and covers the previous 12 months
- getting the exchange rate for the day the pension went into your overseas bank account from any trading bank.

To convert an amount of overseas currency to New Zealand dollars, divide the overseas amount by the rate for the month you received it.

You must use the same conversion method for the whole year.

Example

You receive a UK payment of £2,400 in October 2010. The exchange rate in that month was 0.4729:

$$£2,400 \div 0.4729 = \$NZ5,075.07$$

More help if you need it

Need to talk to us?

You can call us on these numbers:

General tax, tax credits and refunds	0800 227 774
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're here to take your call between 8 am and 8 pm Monday to Friday and Saturday between 9 am and 1 pm (excluding child support calls). If you have an IRD number, remember to have it with you when you call.

For more information go to www.ird.govt.nz/contact-us/

0800 self-service numbers

This service is available seven days a week (any time, except between 5 am and 6 am) for a range of self-service options. Remember to have your IRD number with you when you call.

For access to individuals' personal information, such as account balances, you'll need to be enrolled for voice ID or have a personal identification number (PIN). You can enrol for voice ID by calling 0800 257 843 and reset an existing PIN by calling 0800 257 777.

Order publications and taxpacks	0800 257 773
Request a summary of earnings	0800 257 778
Request a personal tax summary	0800 257 444
Confirm a personal tax summary	0800 257 771
All other services	0800 257 777

When you call our self-service numbers, we'll ask you to say why you're calling. Our speech recognition system will then direct you to a self-service line where you can get the information you want. If you need to talk to us, your call will go direct to an advisor who has the specific information to help you.

Customer service quality monitoring

As part of our commitment to providing you with a quality service, we may record phone calls to and from our contact centres. Find out more about this policy or how to access your recorded information at www.ird.govt.nz (search keywords: call recording).

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your liabilities or your entitlements under the Acts we administer. We may charge penalties if you don't.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them
- Statistics New Zealand (for statistical purposes only).

If you ask to see the personal information we hold about you, we'll show you and correct any errors, unless we have a lawful reason not to. Call us on 0800 377 774 for more information. For full details of our privacy policy go to www.ird.govt.nz (search keyword: privacy).

If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it. You can call the staff member you've been dealing with or, if you're not satisfied, ask to speak with their team leader/manager. If your complaint is still unresolved you can contact our Complaints Management Service. For more information go to www.ird.govt.nz (search keyword: complaints) or call us on 0800 274 138 between 8 am and 5 pm weekdays.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process. For more information, read our factsheet, *If you disagree with an assessment (IR 778)*.