Comparing the New Zealand and Australian tax systems

A basic comparison between the New Zealand and the Australian tax systems to help you conduct a Trans-Tasman business.

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Registering your business

Comparing the tax treatments and numbers you may need to register for your business.

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New Zealand	Australia
Depending on your circumstances you may need to register for: • an IRD number – for income tax purposes • other types of tax – for example, goods and services tax (GST) – through the New Zealand Companies Office.	Depending on your circumstances you may need to register for: • an Australian business number (ABN) • goods and services tax (GST) • a tax file number (TFN) • pay as you go (PAYG) withholding

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Goods and services tax

Comparing how Goods and Services Tax (GST) works, when it is not payable, and how to report it.

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How GST works

Comparing how GST works

New Zealand	Australia
GST is a consumption tax of 15% on all goods, services and other items sold or consumed in New Zealand. You become liable to pay GST when your annual turnover exceeds NZ$60,000 in any 12-month period. Depending on your turnover, you can elect to file returns every six months, two months or monthly. **See also:** • GST	GST is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia, with few exceptions. Generally, if you are registered for GST (or required to be registered for GST), then you will include GST in the price of most goods, services and other items you supply. You can report monthly, quarterly or annually. **See also:** • Australian GST registration for non-residents

When GST is not payable

Comparing when GST is not payable

New Zealand	Australia

Certain goods and services are not liable for GST, either because they are exempt or zero-rated from GST. Exempt supplies include supplies of residential accommodation and many financial services, such as paying and collecting interest. Some supplies, however, are within the GST tax net but the rate applying to them is zero. That is, they are zero-rated. **See also:** • Exempt supplies • Zero-rated supplies	Some transactions are outside the scope of GST – for example, genuine gifts or sales made by an entity that is not registered or required to be registered for GST. Entities that are registered or required to be registered for GST also may make some sales where no GST is payable. These include GST-free sales and input-taxed sales. **See also:** • GST credits (input tax credits) • GST-free sales • Input-taxed sales

Reporting your GST

Comparing reporting your GST

New Zealand	Australia
You can use this form – GST return (GST101) **See also:** • GST • GST Guide • Registering for GST	You report, pay GST amounts and claim GST credits by lodging a business activity statement (BAS.) **See also:** • Options for reporting and paying GST • Guide to GST • GST – completing your activity statement

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Income tax

Comparing tax; imputation, debt and equity rules; trusts; depreciation; thin capitalisation and transfer pricing.

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How income tax works

Comparing how income tax works

New Zealand	Australia

Income tax treatment depends on residency status. Residents of New Zealand are taxed on their worldwide income, and non-residents are taxed on New Zealand-sourced income. • For residents of New Zealand and Australia, article 4 of the *Australia – New Zealand Double Tax Agreement* contains a tie-breaker provision that allocates residency to one of the jurisdictions.	Income tax treatment depends on residency status. Residents of Australia are taxed on their worldwide income and non-residents are only taxed on Australian-sourced income. In most cases, temporary residents are only taxed on Australian-sourced income. Generally, a New Zealand tax resident will only be taxable on their Australian business profits that are attributable to a permanent establishment (such as an office or warehouse) they have in Australia. • For residents of both Australia and New Zealand article 4 of the *Australia – New Zealand Double* Tax Agreement The DTA contains a tie-breaker provision that allocates residency to one of the jurisdictions. **See also:** • The DTA • Definitions

Income year

Comparing income years

New Zealand	Australia
The standard New Zealand income year is from 1 April to 31 March.	The standard Australian income year is from 1 July to 30 June.

You may adopt a different balance date if: • the nature of your business makes a 31 March balance date inappropriate • you wish to align to your overseas company's balance date (that is, 30 June in Australia) • a subsidiary wishes to align its balance date with that of its parent company • an estate wishes to adopt the deceased's date of death • a shareholder-employee wants the same balance date as the company.	Entities that can demonstrate that their particular circumstances warrant a different income year period can, with our permission, adopt a substituted accounting period (SAP).

Income tax rates

Comparing income tax rates

New Zealand	Australia
• Tax rates for individuals • Tax rates for businesses	• Tax rates for **resident individuals** • Tax rates for **foreign residents** • Tax rates for **companies**

Capital gains tax (CGT)

Comparing CGT

New Zealand	Australia

New Zealand does not have capital gains tax however, the Parliament of New Zealand enacted the Taxation (Bright-line Test for Residential Land) Act in 2015. **See also:** • Bright Line Test	Capital gains tax (CGT) is the tax you pay on any capital gain you make when a capital gains tax event occurs, such as the sale of an asset. Any capital gains that are taxable should be included in your annual income tax return. CGT is not a separate tax – it is a component of your income tax. Generally, capital gains made in relation to CGT assets acquired on or after 20 September 1985 are assessable. Residents of Australia are liable for CGT on assets worldwide. A foreign resident, or, in most cases, a temporary resident, is not liable for CGT (nor is treated as having made a capital loss) unless the CGT asset direct or indirect interest in Australian real property or certain mining related rights. To work out whether you have to pay tax on your capital gains, you need to know: • whether a CGT event has happened to you • the time of the CGT event • what assets are subject to CGT • how to calculate the capital gain or capital loss • whether there is an exemption or rollover that allows you to reduce or disregard the capital gain or capital loss • whether the CGT discount applies • whether you are entitled to any of the small business

	CGT concessions. **See also:** • Capital gains tax

Paying income tax throughout the year

Comparing paying income tax throughout the year

New Zealand	Australia
If your residual tax ('tax to pay' figure on your last return) was more than $2,500, you may be liable for provisional tax. The provisional tax you pay during the year is offset against your end-of-year tax payable figure. **See also:** • Paying business income tax	The pay as you go (PAYG) instalments system is used for making instalment payments during the income year towards your *expected* tax liability on your business and investment income. Your actual tax liability is worked out at the end of the income year when your annual income tax return is assessed. Your PAYG instalments for the year are credited against your assessment to determine whether you owe tax or are owed a refund. We will tell you if you have to pay PAYG instalments. **See also:** • PAYG instalment essentials

Income tax to pay at the end of the year

Comparing tax to pay at the end of the year

New Zealand	Australia

At the end of the income year, you have to pay your residual income tax, that is, the amount of tax you have to pay after subtracting any tax credits you may be entitled to (excluding other tax payments made during the year). This amount is calculated on your end-of-year tax return.	At the end of the income year, you have to pay any tax worked out for the year less any tax offsets, rebates and tax credits you may be entitled to and any tax payments you made during the year. This amount is calculated on your end-of-year tax return

Imputation rules

Comparing imputation rules

New Zealand	Australia
Imputation is a system that allows companies to pass on to their shareholders the benefit of the New Zealand income tax they have already paid. Companies can do this by 'imputing' (attaching tax credits to the dividends they pay out) credits for the income tax the company has already paid. The amount of the tax credit attached to the dividend is called an imputation credit. The Trans-Tasman imputation legislation was enacted on 25 November 2003 and allows: • Australian companies to elect to maintain an imputation credit account (ICA) in New Zealand • wholly owned groups of companies (either Australian or New Zealand) to elect to form groups for imputation purposes only	The imputation system allows Australian companies (and other entities taxed like companies) that pay Australian tax to pass on to their Australian shareholders a credit for income tax paid on profits when distributing those profits. The tax paid by the company is allocated to shareholders as franking credits attached to dividends they received. Although shareholders are taxed on the full amount of the profit represented by their dividend distribution, they are allowed a credit for the tax already paid by the corporate entity. This prevents double taxation – that is, the taxation of company profits when earned by a company and again when a shareholder receives a dividend. A New Zealand company that has chosen to join the

Australian companies wishing to elect into the NZ imputation system should visit New Zealand Inland Revenue **See also:** - NZ Trans-Tasman imputation – for Australian companies wishing to elect into the NZ imputation system	Australian imputation system may pay dividends franked with Australian franking credits. For example, a New Zealand company might have paid Australian income tax and might pay dividends franked with Australian franking credits (as opposed to dividends franked with New Zealand franking credits). Australian residents who own shares in a New Zealand company or who receive a distribution from a partnership or trust that receives dividend income from the New Zealand company may be able to claim a tax offset for the Australian franking credits. A NZ company that chooses to use the Trans-Tasman imputation rules will generally be subject to the Australian imputation rules in the same way as they apply to an Australian company. Special rules apply to ensure that the measure operates appropriately and to preserve the integrity of the Australian imputation system. **See also:** - **Imputation** – for details on the general rules that apply to the Australian imputation system - **Trans-Tasman imputation special rules** – for details on the specials rules

Debt and equity rules

Comparing debt and equity rules

New Zealand	Australia
New Zealand does not have debt and equity rules.	Australia has specific that define what constitutes equity and debt for tax purposes. These rules determine whether a return on an investment or arrangement is treated as a dividend (and therefore frankable and non-deductible to the issuing entity), or the return is treated like interest (and therefore deductible to the issuing entity and not frankable). These rules are also relevant for the thin capitalisation rules and for withholding tax purposes. A debt interest classification may also be important for the purposes of testing whether entities can form a consolidated tax group (which allows a group of commonly owned companies to be treated as one company for tax purposes). **See also:** • Debt and equity tests • Thin capitalisation

Trusts

Comparing trusts

New Zealand	Australia
In general, the initial amount of money you put into a trust is not taxed. Any income the	Under Australian income tax law, most trust estates are **not** taxed as companies.

trust earns (for example, through investment or business income) is taxed at a flat rate of 33 cents in the dollar. The trustee is liable for paying this income tax regardless of where they live in the world. **See also:** • [Trusts and estates](#)	Generally, if the income of the trust is distributed to the beneficiary, the beneficiary will include that income in their assessable income. If the beneficiary is a non-resident under 18 years of age or under a legal incapacity, the trustee will deduct the appropriate tax. Ordinarily, if no beneficiary is presently entitled to the income of the trust, the trustee will be assessed on the trust income. Special rules apply to certain public trading trusts that are treated as companies, and to super funds.

Depreciation

Comparing depreciation

New Zealand	Australia
Depreciation is a deduction that business taxpayers can claim against their gross income. It is an allowance given in recognition of the fact that fixed assets decrease in value over their working life. Not all fixed assets can be depreciated. **See also:** • Business income tax – Depreciation	Generally, a deduction is available for the decline in the value of certain depreciating assets that are used to earn assessable income. Some items, like land and trading stock, are specifically excluded from the definition of a depreciating asset. **See also:** • Guide to depreciating assets

Thin capitalisation

Comparing thin capitalisation

New Zealand	Australia
A company is thinly capitalised when its capital is made up of a much greater proportion of debt than equity. The thin capitalisation rules are designed to ensure that profits of foreign-controlled entities are subject to New Zealand income tax and are not removed from the tax base by way of interest expense. Whether the thin capitalisation rules apply is subject to the ownership/control rules one entity may have in the other, whether direct or indirect.	Australia's thin capitalisation rules are designed to ensure that businesses operating in and out of Australia do not reduce their Australian tax liabilities by using an excessive amount of debt capital to finance Australian operations. An entity is said to be thinly capitalised if its assets are funded by a high level of debt and relatively little equity. Generally, where the entity's debt exceeds 60 per cent of the net value of the Australian assets, a portion of the debt deductions maybe disallowed. The thin capitalisation rules only apply if the debt deductions of an entity and its associates exceed $2 million in the year. **See also:** • Thin capitalisation • Understanding Thin Capitalisation

Transfer pricing

Comparing transfer pricing

New Zealand	Australia

Transfer pricing is the practice of pricing goods, services and intangibles between associated parties. The focus of New Zealand's transfer pricing rules is to ensure that the proper amount of income derived by a multinational is attributed to its New Zealand operations. **See also:** • Transfer pricing	Under Australia's transfer pricing provisions, we can adjust the prices (for tax purposes) paid or received by businesses conducted in Australia where those prices are different to those which would be expected in arm's length dealings. The transfer pricing provisions are usually only relevant in dealings between related parties. **See also:** • Transfer pricing – introduction to concepts and risk assessment • Advance Pricing Arrangements

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Obligations of employers

Comparing withholding tax, fringe benefits tax, superannuation, student loan deductions and child support deductions.

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Withholding from salaries and wages

Comparing withholding from salaries and wages

New Zealand	Australia
As an employer, you must: • make the correct pay as you earn (PAYE) deductions from your employees' earnings using the appropriate tax code, and • meet your filing and payment obligations for PAYE and its related tax types, such as – student loan deductions, and – KiwiSaver contribution deductions. **See also:** • Employer responsibilities	If you make payments from which withholding is required – for example, wages to employees or payments to businesses that do not quote an ABN – you must register for pay as you go (PAYG) withholding before you first withhold.

Withholding tax from independent contractors

Comparing withholding tax from independent contractors

New Zealand	Australia
Tax is deducted from schedular payments (formerly withholding payments) made to people who are not	Payments made to your independent contractors generally do not require withholding.

employees but work for you on a contract-for-service basis. **See also:** • [Schedular payments (formerly Withholding payments)]	However withholding may apply if: • the independent contractors have not quoted their ABN • the payments are part of labour hire arrangements • the foreign resident withholding provisions apply • they have entered into a voluntary withholding agreement with you.

Foreign resident withholding

Comparing foreign resident withholding

New Zealand	Australia
If you are paying interest, dividends or royalties to people who are not New Zealand residents, you need to deduct non-resident withholding tax (NRWT) from the gross amount paid. This amount is non-resident passive (formerly withholding) income (NRPI, formerly NRWI). If you pay NRPI, you will need to register as an NRWT payer. **See also:** • NRWT (Non-resident withholding tax)	Foreign resident withholding (FRW) is part of PAYG withholding system. You will need to withhold an amount from payments made to foreign residents for particular types of activities. Some of these activities are: • payments for promoting or organising casino gaming junket arrangements • payments for entertainment and sports activities • Withholding tax from payments to foreign residents for construction and related activities

	The rate of withholding is set at a default rate. We can vary this rate to match the expected tax payable in particular cases. An annual income tax return should be lodged by the foreign resident and the FRW amounts withheld are a credit against the tax assessed. **See also:** • PAYG withholding and employees who work in a foreign country • Foreign Resident PAYG withholding

Fringe benefits tax (FBT)

Comparing FBT

New Zealand	Australia
Most benefits given to employees other than their salary or wages are fringe benefits. There are four main groups of taxable fringe benefits: • motor vehicles available for private use • free, subsidised or discounted goods and services • low-interest loans • employer contributions to sick, accident or death benefit funds, specified insurance policies and non-	Fringe benefits tax (FBT) is a tax payable by employers who provide non-cash benefits to their employees (or their associates) as a result of their employment. A fringe benefit may be provided by another person on behalf of the employer. The amount of FBT payable depends on the class of benefit provided (as examples, car, car parking, loan, expense payment). There are rules for working out the taxable value for each class of benefit. . The amount of tax payable is broadly equivalent to the amount of tax that the

monetary contributions to superannuation schemes. If these benefits are enjoyed or received by employees as a result of their employment, including those benefits provided through someone other than an employer, the benefits are liable for FBT. **See also:** • Fringe benefit tax	employee would have paid at the highest individual marginal tax rate if they had paid for the benefit with their salary, after payment of tax. The FBT year is the 12 months beginning 1 April and ending 31 March. The rate of FBT may vary from year to year, but the ATO will advise you of the rate each year. The rate for the FBT year ending 31 March 2017 is 49%. In some cases, where a fringe benefit could be taxed in both Australia and New Zealand, Article 15 of The DTA will have the effect that it will only be liable to FBT in one country. **See also:** • Fringe benefits tax – a guide for employers

Superannuation

Comparing super

New Zealand	Australia
Any contribution an employer makes to a super fund for the benefit of an employee is liable for tax. **See also:** • Employer superannuation contribution tax	The super guarantee legislation requires employers to provide a minimum level of super support for their employees. If you are not a resident of Australia but employ workers on a full-time, part-time or casual basis, contractors wholly or

• [KiwiSaver]()	principally for labour, or company directors, you are still required to provide super for work performed in Australia. The super you provide must be paid to a complying Australian super provider. You should provide each eligible employee with super contributions at the **applicable super guarantee rate** of ordinary time earnings (OTE). OTE is usually the amount your employee earns for their ordinary hours of work. It includes things like commissions, shift loadings and allowances, but not overtime payments. Contributions you make for your employees to a complying Australian super fund are generally tax deductible provided certain conditions are met. **See also:** • Super for employers • How much super you must pay

Student loan deductions

Comparing student loan deductions

New Zealand	Australia
Some employees may need to make repayments to us for a student loan.	You may need to withhold tax from your employees who have

See also: • [Student loan deductions](#)	HELP/SSL/AASL (formerly TSL) student loans. **See also:** • Study and training support loans weekly tax table • Studying and training support loans

Child support deductions

Comparing child support deductions

New Zealand	Australia
Some employees may need to make repayments to us for child support. When this occurs, we will often request the employer to deduct this from an employee's wages and pass these deductions to us. **See also:** • Child support deductions	Sometimes employers are required to automatically deduct child support payments from your salary or wage or contract payment under the Child Support Scheme. **See also:** • Guide to Child Support • Payment Methods for Child Support

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