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CHANGES TO THE NEW ZEALAND RESIDENTIAL TAX RULES

The rules for buying and selling property in New Zealand changed on 1 October 2015. Here's what you need to know:

Different rules apply for 'New Zealand citizens (and residents)' and 'Offshore persons'

New Zealand Citizen / Resident

If you are a NZ citizen or resident within New Zealand (or you are overseas but you have travelled to NZ within the last three years), you will now need to provide the following information to your lawyer before you can buy, sell or transfer NZ property:

- (a) Your IRD number, unless you are buying or selling your main home; and
- (b) Your taxpayer identification number from any overseas countries where you have to pay tax on your worldwide income, unless you are buying or selling your main home

Offshore person?

An Offshore person has been redefined to include the following 'individuals':

- (a) A New Zealand citizen who is outside New Zealand and has not been in New Zealand within the last three years;
- (b) A person who has a residence visa (under the NZ immigration Act 2009), who is outside New Zealand and has not been in New Zealand within the last three years; and
- (b) A person who does not have either New Zealand citizenship and does not have a residence visa.

So, if you are a New Zealand citizen who has embarked upon an OE, and you have not travelled back to New Zealand within the last three years, you are now classed as an 'offshore person'.

If you are an offshore person you then you must provide a New Zealand IRD number and your taxpayer identification number to your lawyer before buying or selling New Zealand property. If you don't have a New Zealand IRD number you now need a fully functional New Zealand bank account number before you can apply for a New Zealand IRD number.

If your property is in a Trust then the Trust will need its own IRD Number

If, like many New Zealanders, your property is owned by a Family Trust, you must provide an IRD number for the Trust to your lawyer before the property can be bought, sold or transferred. An IRD number for a Trustee cannot be accepted, as the Trust must have its own IRD number. There is no exception to this rule. If your Trust has a taxpayer identification number then you must provide this as well.

Further changes to come

The Government are currently working through a number of proposals to improve property tax compliance in New Zealand. These include for:

- (a) Income tax to be paid on any gains derived from disposal of residential property which is acquired and disposed of within a 2 year period (if property is not your main home); and
- (b) A type of withholding tax to be paid at the time of sale for certain residential property.

So watch this space!

20 MINUTE FREE

**WANT to review your Family Trust structure?
THEN call us and take advantage of our 20 Minute Free interview**