Have overseas accounts? What you need to know

If you have an account with an offshore financial institution, including accounts maintained with certain offshore trusts, information about your overseas investments will soon be shared with Inland Revenue.

What you need to know

New Zealand is one of 105 countries and territories that has committed to sharing financial account information to combat global tax evasion. These laws have been in place since 1 July 2017.

From August 2018, the government will receive information about New Zealand tax residents with offshore financial accounts from other countries’ financial institutions, which might include offshore trusts.

If you have an account with an overseas financial institution (including certain offshore trusts) you’ll be required to confirm and disclose your tax residence status and tax identification number (TIN) with the overseas financial institution. The financial account information will be exchanged and will help Inland Revenue verify that everyone is paying the correct tax on these overseas investments.

[International tax (external link)](http://www.ird.govt.nz/international/?id=rightnav) – Inland Revenue
[Top 10 facts on international tax (external link)](http://www.ird.govt.nz/international/topten/topten-index.html) – Inland Revenue

What you need to do

You have an opportunity to make sure your tax affairs are in order before Inland Revenue receives the first automatic exchange from August 2018 onwards.

If you think or know there is an error in your tax affairs, Inland Revenue encourages you to voluntarily disclose it before they identify the error.
International tax laws are complex. Consider getting specialist help to make sure you’re doing it right.

Things to think about

International tax laws are complex, and the way they are applied can depend on your specific circumstances and the different jurisdictions involved.

If you’re a tax resident in New Zealand and another country or territory, or you earn foreign sourced income, you’re subject to the tax laws of each. If both of those countries or territories tax their residents on worldwide income, or withhold tax on income earned, you could be taxed twice on the same income.

- Double tax agreements (DTAs) have been negotiated between New Zealand and many other countries and territories to decide which country or territory has the first or sole right to tax specific types of income.
- The fact that the income is taxed in the source country doesn’t necessarily mean you’ll avoid paying tax on that income in New Zealand.

Income from overseas is calculated applying the New Zealand rules, not the rules of the country where the income came from.

- Foreign income (even if deposited in an offshore account or left on a foreign credit card) does not need to come into New Zealand to be taxed here.
- There are cases when you need to attribute foreign company income before a dividend is declared by the foreign company.
- A distribution/gift from an offshore trust might be taxable in New Zealand even if that distribution/gift isn’t subject to tax in the source country.

If you pay interest offshore, eg on offshore bank/credit card/mortgage accounts, you need to pay non-resident withholding tax (NRWT) in New Zealand. You might also need to account for foreign exchange profits/losses on foreign mortgages annually, rather than when that mortgage is repaid.

Double tax agreements (external link)
(http://www.ird.govt.nz/international/residency/dta,double-tax-agreements-index.html) – Inland Revenue

Overseas investments (external link)
(http://www.ird.govt.nz/international.nzwithos/investments/overseas-investments-index.html) – Inland Revenue

Non-resident withholding tax (NRWT) (external link)
(http://www.ird.govt.nz/resources/d/0/d0ddc344-5405-44cc-aa98-e04584e47d40/ir291.pdf) – Inland Revenue

Do you have more questions about overseas income?
Basic tips for reducing your tax bill

Check out our guide

Test if you’re ready to grow

Are you and your business ripe to expand? Take our self-assessment test and find out.

Get started