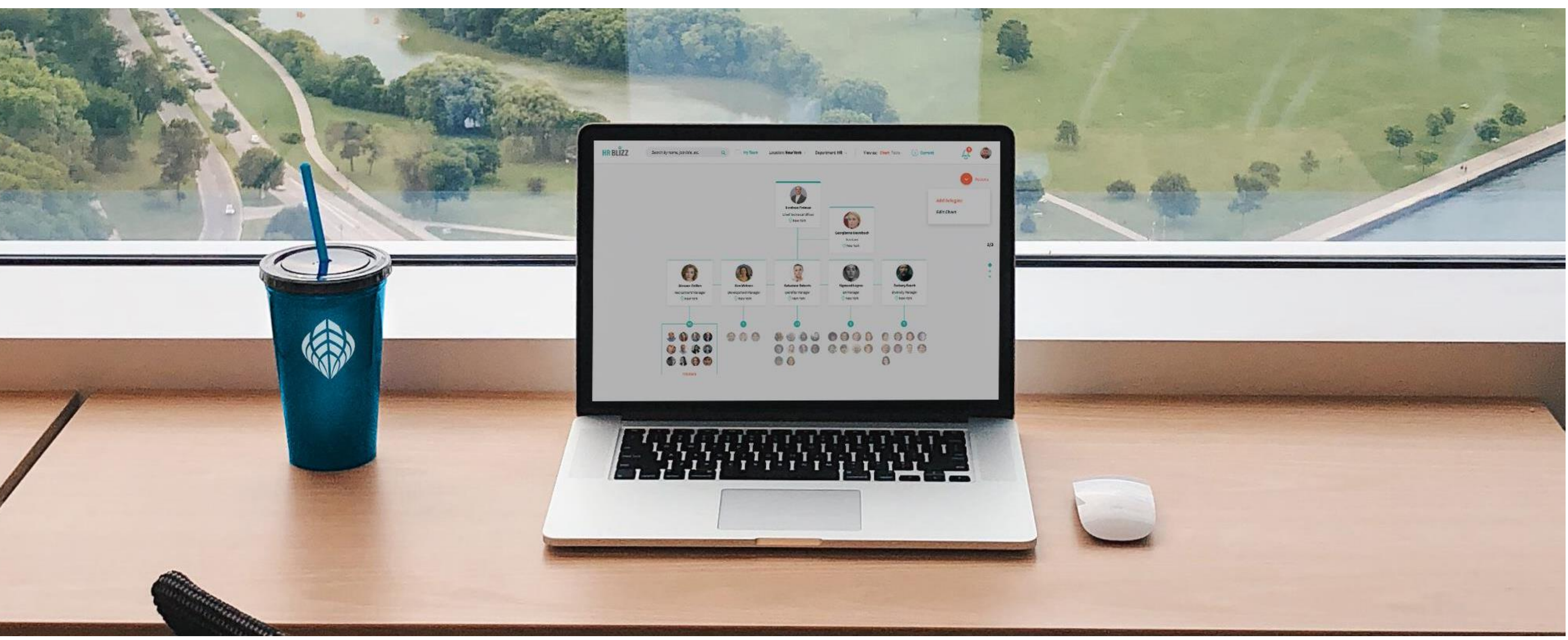
Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2021 Global Payroll Country Guide for New Zealand



NEW ZEALAND

15 February 2021

We help you achieve your global ambitions

Thank you for trusting Mercans to outsource your HR and Payroll functions. We propose HR consulting services, actionable solutions, and cost-effective global payroll processing tools to energize your human capital management in real-time and augment your performance. We are dedicated to becoming your business growth facilitator.

Global Payroll Solutions – Boost your HR brand and employee satisfaction
Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.

PEO/GEO Services – Easily hire, deploy and manage your workforce abroad
A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly-qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).

Global Talent Acquisition – Quickly fill vacancies with only the best candidates
Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.

BPO Services – Reclaim the focus on your core activities to expand your business
Concentrate on the essentials: outsource non-primary activities and your front- and back-office functions to Mercans. Save the time, money, and energy needed to refine the value chain engagement of your customers and suppliers, and increase revenue.

HR Management SaaS – Access customizable cloud-based online platforms
Centralize your HR function on an all-in-one user-friendly and self-service platform. Combined with the expertise of our consultants, the Mesaar SaaS offers a built-in applicant tracking system and easy-integration features to improve internal processes.

Local Statutory Compliance – Forget the hassle of setting up branches abroad
Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.

Mercans at a Glance

160+ Countries	**20** Years of Success	**800+** Specialists
5k+ Customers Worldwide	**97%** Client Retention Rate	**1.5X** Annual Revenue Growth
25k+ Largest Single Payroll	**2.5M+** Pay Slips per Annum	**0** Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.

Mercans has the highest industry quality and IT security certifications.

Table of Contents

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New Zealand – the economic growth expected to return in 2021.

New Zealand's GDP grew 2.2% in 2019 against 3.2% in 2018 - and to fell to -7.2% in 2020 due to the outbreak of the COVID-19. The economy is expected to pick up to 5.9% in 2021, according to the updated IMF forecasts. The country relies heavily on consumption to bolster its GDP, although low interest rates, a benevolent fiscal and monetary policy, and increases in real wages due to declining unemployment also factor into its economic growth. Its proximity to Asia and Australia, and strong tourism and agricultural sectors also strengthen the economy. The economy of New Zeakabd is also vulnerable to international commodity prices, particularly dairy and meat. Strong public funds have been allocated to reconstruction of roads, railways, and the Kiwi Build Programme.

Furthermore, Government has restricted access to low-skill workers and student visas to ease housing demand, which triggered fears of worker shortage and lowered population growth.

The unemployment rate remained stable in 2019, at 4.1%, although it is expected to increase to 9.2% in 2020, because heavily affected by the negative economic impact of the COVID-19 pandemic; this trend should slightly decrease to 6.8% in 2021. Some key social issues faced by the New Zealander government include dealing with an ageing population and increasing health care costs, boosting employment and household incomes, reducing teen pregnancy and child poverty, and increasing housing affordability.

New Zealand is rich in natural resources, and it has deposits of iron ore, silver, coal, gold, and limestone. The country ranks 22nd globally in iron ore production and 29th in gold production. Agriculture represents 6.6% of GDP and 6.1% of the total workforce. New Zealand also has a thriving wine industry and is rich in many natural resources, in particular gas, oil and coal. Migrants make up 15% of the agricultural workforce in New Zealand.

Industry represents 19.2% of GDP and 20.4% of the workforce. The services sector represents 65.6% of GDP and employs 73.5% of the population. Main services include financial services, real estate services, and tourism - which is one of the most important sources of foreign currency.

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Doing Business in New Zealand

Basic Facts

Official State Name	New Zealand
Population	5.11 million
Capital	Wellington
Major Languages	English, te reo maori, Samoan,
Currency	New Zealand Dollar
Main Industries	Food processing, textiles, machinery and transportation equipment, finance, tourism, mining
GDP Growth	2.2% (2019)
Internet Domain	.nz
International Dialing Code	+64
Dates & Numbers	Dates are usually written in the dd/mm/yyyy format.

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How to Incorporate a Company in New Zealand

Because of New Zealand's location, the country has a relatively deregulated economy and has been ranked as the easiest country in the world in which to do business. The country is also known to be the least corrupt nation in the world and has a free and stable economy in which businesses are able to perform in whichever way they choose, albeit inside of the law.

Home to major industries such as agriculture, forestry, horticulture, manufacturing, fishing and food processing, the country has a strong exports market, sending billions of dollars' worth of goods and services to other nations, with Asia representing 50% of its export trade.

Incorporating a company in New Zealand is a relatively simple and straightforward process. Unlike in some nations where solicitors and formal meetings are required, the entire process can be completed online by a single director or entrepreneur, reducing the barriers to entry.

Reserving a Name

Before beginning the company incorporation process, the investor must reserve a name for their company. The name availability can be checked using the Companies Register. If the preferred names if available, the investor can apply for the legal rights to the name. Requests are typically processed within two hours, and the investor will then have up to 20 working days to incorporate a business using that name, or it will be released to other entrepreneurs and businesses for their own business use in New Zealand.

Company Type

There are several company types to consider when entering into New Zealand, but foreign investors will likely choose either a Branch Office, a Limited Partnership, or a Subsidiary.

- **Branch Office**: A Branch is not a legal entity in its own right and will be attached to the parent company. However, New Zealand operations will be governed by the countries law. Companies Act 1993 states that companies can establish a branch operation on the overseas register, and trade freely in the country.
- **Limited Partnership**: As a foreign investor, a Limited Partnership may be the most sensible option to consider. The investor have limited liability protection for their business and enjoy tax and confidentiality advantages. The company will have a separate legal personality to your existing company and have an indefinite lifespan.
- **Subsidiary Company**: Finally, the investors may want to consider a New Zealand Subsidiary to their main company, which can be 100% owned by foreign shareholders.

When setting up a business in New Zealand, the investors will likely require no government approval. However, overseas companies with more than 25% foreign ownership must be registered and file audited accounts with the respective government body, called the 'Registry of Companies', and these accounts will be filed on a public record, meaning that anyone can access them should they desire – a consideration to make if you operate in a sensitive or competitive niche.

Registering A Company

Once the investors have decided on a name and chosen the company structure, the investors should visit the Companies Register website to incorporate their firm.

- **Address:** The investors need to provide a registered office address for their business and provide a legal name and address for each of their directors. They must also state whether the directors are New Zealand residents.
- **Shareholders:** All companies must have at least one shareholder when signing up, and during the process, the shareholders will be asked for this individual/s personal information.
- **Constitution:** The investors can choose to set up a company with a constitution, where they can set out the rights and responsibilities of the company, the board, each director, and each shareholder. This is optional, although it is recommended as it can offer them vital legal protection if the company has multiple shareholders or company directors.
- **Tax registration:** When incorporating a firm online, the investors can also apply for an Inland Revenue Department (IRD) number and register your firm for the Goods and Services Tax (GST). Doing this at the same time as company registration saves time and means that their incorporation certificate and tax details will be ready together. When registering for tax, the investors will be able to add an Inland Revenue nominee, who will be responsible for acting on behalf of the company when dealing with accounts/taxation.
- **Industry:** When incorporating, the investors will be asked to give the primary activity of their new business, and they will be given a Business Industry Code (BIC) as a result.

The process for incorporating a company in New Zealand is straightforward and done completely online.

The investors must reserve a company name before applying to incorporate your company. Here are the steps to reserve their company name:

- Check the name is available by searching the Companies Register
- Apply for the name
- The investors' request will be processed in 2 hours (during working days). Also, the name must be used to incorporate a company within 20 working days.

Then the investors must register an account to use the Companies Office website. They can set up a new Companies Office account or re-activate your previous account. Below is an outline of the information categories the investor will be required to enter online:

Address - Mandatory addresses a company must have:

- a registered office
- an address for service
- an address for communication

Director - Every incorporated company must have at least one director. For each director the investors need to provide their full legal name and residential address. They also need to advise whether they are a New Zealand resident. A person cannot be a director of a company if they are:

- under 18 years of age
- an undischarged bankruptcy
- otherwise prohibited from directing, promoting, participating in the management of a company under any statutory provisions.

Shares & shareholders - Each company (other than a sole trader) must have at least one share and one shareholder. First you will need to provide details for each shareholder - for example, their full name and address. Other details will depend on the type of shareholders your company will have. If one or more of the shareholders are also directors, you can choose them from the list of available directors. Otherwise, you can choose to add another person or entity as a shareholder.

The investors need to provide the following information regarding shareholders:

- The full name and address of each shareholder.
- The total number of shares for the company.
- The number of shares held by each shareholder (share allocation).

Constitution (optional) – The investors can incorporate a company in New Zealand with or without a constitution. A constitution essentially sets out the rights, powers, and duties of:

- the company
- the board
- each director and
- each shareholder.

Tax registration (recommended) – The investors can apply for a company Inland Revenue Department (IRD) number and register for Good and Services Tax (GST) when they incorporate their company online with the Companies Office. Once the incorporation process is complete, they will be sent the company's certificate of incorporation and tax details at the same time.

Business industry code (BIC) - The primary activity of a business is classified using a Business Industry Description and a corresponding Business Industry Code (BIC).

IRD registration - The investors will be required to enter several pieces of information to apply for a company IRD number.

GST registration - If the investors intend to register for GST they must also apply for a company IRD number (IRD registration).

Registered Inland Revenue Tax Agents (optional) - This option is for Tax Agents completing the application on behalf of a client.

Inland Revenue nominee details (optional) - A director is able to nominate another person to act on behalf of the company when dealing with Inland Revenue.

Payment - To submit your application to incorporate your company you must pay the application fee. The investors can pay this fee either by charging it to your direct debit account, credit card, or debit card.

Business Structures

Businesses in New Zealand generally use one of these three structures - Sole trader, Partnership, or Limited Liability.

Sole Trader

A sole trader operates a business on their own. The trader controls, manages and owns the business and is entitled to all profits but is also personally liable for all business taxes and debts.

Many New Zealand businesses start as sole traders, which doesn't require legal incorporation, and then progress to an incorporated company as the business grows. Others choose to form registered companies right from the start to take advantage of the protection and other benefits offered by the official company structure.

Partnership

If an investor wants to partner up with someone else then they can form a 'partnership', ideally with an agreement but not always. Partnerships are most common among professional people and in the farming industry. In a partnership two or more people run a business together. Each partner:

- Shares responsibility for running the business
- Shares in any profits or loss equally, unless the partnership agreement states otherwise
- Is liable for any debt within the partnership

Many partnerships are established with a formal partnership agreement. The partnership itself does not pay income tax. Instead, it distributes the partnership income to the partners. The partners then pay tax on their own share.

In the past, this was the standard business structure of professional people (lawyers, doctors and accountants) but partnerships are no longer as popular since a Limited Liability Company is now open to professionals and it arguably offers better protection. Remember, a well thought out partnership agreement is essential to cover all contingencies and possible conflicts.

Limited Liability Company (LLC)

A company is a formal and legal entity in its own right and separate from its shareholders or owners. Shareholders' liability for losses is limited to their share of ownership of the company. This does not apply when company directors have given personal guarantees for company debts, where a company has been trading while insolvent or is considered to be 'trading recklessly'.

The limited liability company is New Zealand's most successful business structure. It fosters confidence in the business by governing the relationships between investors/shareholders, directors and creditors and by giving customers, investors and other stakeholders a clearer picture of who and what they are dealing with.

Non-profit Organizations

A non-profit organization is any society, association or organization that is not carried on for the profit or gain of any member, and has rules that do not allow money, property or any other benefits to be distributed to any of its members.

Trading Trust

Trading Trusts can offer benefits, but they are complicated and also require expert advice. Discuss this option with your accountant and your lawyer to see if it is more appropriate for your needs than the business structures outlined above.

Co-operative

A co-operative business is owned and democratically controlled by its shareholder/members. People (or entities) involved in a co-operative business choose to work together to achieve business goals that may not be possible or as easily achieved through individual or separate effort.

The shareholders/members contribute the prime capital for the business and share in the profits of the business in proportion to their participation: the greater the participation, the larger the proportion of profits.

Joint Venture

The term "joint venture" is used in New Zealand to mean a commercial arrangement between two or more parties who combine together to invest capital or resources in a particular project.

Joint ventures are a common form of business association in New Zealand, and generally either take the form of an incorporated joint venture (as a separate legal entity) or an unincorporated joint venture (a purely contractual arrangement).

As in the case of a partnership, the parties to an unincorporated joint venture enter into a written joint venture agreement. Whether any particular unincorporated joint venture is a partnership is a question of fact. Generally speaking, most unincorporated joint ventures, unless carefully structured, are partnerships.

There is no distinct body of law in New Zealand governing unincorporated joint ventures that are not partnerships. The assets of an unincorporated joint venture are owned by the joint venture parties as tenants in common in the proportions agreed between them. The joint venture agreement entered into for an unincorporated joint venture usually includes similar provisions to those in a partnership agreement.

Accounting and Reporting

Accounting Standard Framework

The New Zealand 'Accounting Standard Framework' establishes a differential reporting framework that applies to three broad categories of entities:

For-profit entities 'Public-benefit entities' (PBEs) that are public sector entities 'Public-benefit entities' (PBEs) that are not-for-profit entities.

Entities in each category are further delineated into a number of 'tiers', depending on the nature and size of the entities, whether or not it has public accountability, and its governing legislation, regulations or other reporting mandate. A separate sub-set of accounting standards apply to each tier within each category.

Accounting Standards For-Profit Entities

Accounting standards for for-profit entities are based on International Financial Reporting Standards (IFRSs) and are referred to as 'New Zealand equivalents to International Financial Reporting Standards' (NZ-IFRSs). NZ-IFRSs are Standards and Interpretations developed by the New Zealand Accounting Standards Board (NZASB) and approved by the External Reporting Board (XRB), comprising New Zealand equivalents to:

International Financial Reporting Standards International Accounting Standards International Interpretations.

The XRB has a "adopting international standards" strategy, and accordingly, the NZASB would normally issue NZ-IFRSs in respect of each pronouncement made by the International Accounting Standards Board (IASB).

Financial Reporting

Financial Reporting Framework

In New Zealand, accounting standards are issued by the New Zealand Accounting Standards Board (NZASB), a Committee of the External Reporting Board (XRB). The XRB is an independent 'Crown Entity' established under New Zealand law, particularly the Financial Reporting Act 2013 (and its precursor, the Financial Reporting Act 1993).

Compliance with Accounting Standards developed by the New Zealand Accounting Standards Board (NZASB) and approved by the External Reporting Board (XRB) are mandated under the Financial Reporting Act 2013. Accounting standards are 'disallowable instruments' under New Zealand legislative process.

Banking and Financial System

The New Zealand banking system is highly concentrated. While there are currently 27 registered banks, the four large Australian-owned banks (ANZ, ASB, BNZ, and Westpac) are responsible for 85 percent of bank lending. The five New Zealand-owned banks account for 8 percent of bank lending.

For the Australian-owned banks, the New Zealand subsidiaries' total assets represent between 10 and 15 percent of their respective Australian parent group's total assets. These Australian-owned banks all have high credit ratings by international standards (a table of current credit ratings is presented here).

Despite the New Zealand financial system being dominated by banks, the banking system itself is relatively small by global standards. Total assets of the banking system were just over $631 billion NZD in March 2020, which at around 184 percent of GDP is at the lower end of the range for OECD countries.

The Reserve Bank regulates banks, insurers, and non-bank deposit takers (NBDT)2, for the purpose of promoting the maintenance of a sound and efficient financial system. The Bank's approach to prudential supervision is described in our Statements of supervisory and enforcement approaches. The Bank has no responsibility for non-deposit taking non-bank lending institutions (NBLI) or unlicensed insurers. The Reserve Bank also oversees and operates New Zealand's financial market infrastructures.

The New Zealand financial system is dominated by the banking sector, with banking assets accounting for a very large share of overall financial system assets (figure 1). In contrast, capital markets are relatively less developed in New Zealand, with total market capitalization of equities at the New Zealand Stock Exchange around $132 billion, while the domestic bond market is around $132 billion (excluding government debt). The managed fund industry is also small compared to banks, with around $157 billion of assets under management.

Banks are generally from Monday to Friday from 8.30am – 5.00pm with a one-hour lunch break. Banks are closed on Saturday and Sunday.

Working Week

Employment agreements must fix the maximum number of hours to be worked by the employee at not more than 40 hours per week (not including overtime) unless the employer and employee agree otherwise. If the maximum number of hours (not including overtime) are less than 40, the employer and employee must try to fix the hours so they are worked on no more than five days of the week.

Hours of work in an employment agreement might include that an employee also do additional work, as reasonably required by an employer, and should agree on any compensation for this overtime. Employers must make sure that employees are paid at least the minimum wage for all the time that they work; this rule applies equally to overtime as well as normal hours.

The working hour's related regulations have been summarized below:

Area	Regular Employee	Shift Employee	Female Employee
Workdays (1)	Monday – Friday (Saturday & Sunday is the official weekend days).		Workdays (1)
Weekly Regular Working Hours (1)	Daily Criterion – 8 hours/day	Weekly Regular Working Hours (1)	Daily Criterion – 8 hours/day
Breaks	Min 60 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace) (4)	Min 60 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace) (4)	90 minutes for nursing mothers (paid break)
Max Stay at the Workplace	10 hours per day	10 hours per day	

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Total Maximum Working Hours (Regular + Overtime)	10 hours per day	Total Maximum Working Hours (Regular + Overtime)	10 hours per day
Public Holidays (24)	1 day – New year's Holiday	Public Holidays (24)	1 day – Christmas

Tax & Social Security

Income tax

In New Zealand, income tax is levied under the Income Tax Act 2007. Income tax for individual and corporate taxpayers is levied on annual gross income from all sources, less annual total deductions and any losses carried forward. This net amount is the taxable income.

Incomes of husbands and wives are treated separately for tax purposes. Partnerships (including limited partnerships) are not taxed in their own right but individual partners are taxed on their share of partnership income. Trust income is taxable to either the trustees or the beneficiaries depending on the outcome of rules determining who derives the relevant income.

To be subject to tax in New Zealand, the entity must be:

- resident in New Zealand, in which case their worldwide income is taxable in New Zealand; or
- non-resident but deriving income from a source in New Zealand.

Where income does not fall into either of the above categories but is derived by a foreign entity that is considered to be under the control of New Zealand residents, the New Zealand residents may be taxed on the passive income of that foreign entity.

Where applicable, New Zealand allows a tax credit for foreign tax paid equal to the lesser of that foreign tax paid or the New Zealand income tax payable on the relevant portion of the total income. These rules may be modified by the application of particular Double Tax Agreements (DTAs) that New Zealand has with other countries.

Taxpayers will generally make an annual return of income for a year ended 31 March. The exception to this balance date is where the taxpayer (other than an individual) is given approval to adopt a different balance date for business reasons.

New Zealand has a consumption-based tax called "GST". GST is levied on goods and services supplied in New Zealand (with a few exceptions, including financial services and domestic rents).

Corporate Income Tax

The corporate tax rate in New Zealand is 28%.

New Zealand has a full dividend imputation system under which tax paid by New Zealand resident companies can be allocated as imputation credits to dividends paid to shareholders.

New Zealand resident shareholders are able to offset these imputation credits against their tax liability in respect of those dividends. Depending on a non-resident's percentage interest in the company, these imputation credits may either reduce the rate of non-resident withholding tax on some or all of the dividend to 0%, or reduce non-resident withholding tax otherwise payable on dividends. Fully imputed dividends paid to non-residents can be effectively paid free of non-resident withholding tax.

New Zealand has a transfer pricing regime that requires arm's length pricing in cross border related party transactions. The regime includes a specific interest limitation rule for related party cross-border debt financing that is unique to New Zealand. There are also thin capitalization rules for foreign-controlled (e.g., 50% or more ownership) companies operating in New Zealand and trusts that are 50% or more settled by non-residents. The safe harbor debt-to-asset ratio under those rules is 60%.

When certain conditions are met, a company can carry forward its tax losses and set them off against future taxable income.

New Zealand resident companies may transfer losses to group companies in a profit position, provided certain conditions are satisfied.

Personal income tax

Individuals are taxed for the year ended 31 March. Those required to make tax filings must do so by 7 July in each year.

Rates of Tax Applying to individuals:	
INCOME	**RATES OF TAX**
NZ$0 to NZ$14,000	10.5%
NZ$14,001 to NZ$48,000	17.5%
NZ$48,001 to NZ$70,000	30%
NZ$70,001 or more	33%

Individuals will be resident in New Zealand for tax purposes if:

- they have a permanent place of abode in New Zealand, whether or not they have any permanent place of abode outside New Zealand (broadly, a permanent place of abode is a fixed or habitual home);
- they are physically present in New Zealand for more than 183 days in aggregate in any 12-month period; or

- they are absent from New Zealand in the service of the New Zealand government.

If an individual is resident in more than one country at the same time, DTAs will often determine the country in which the person is primarily resident.

Individuals on short-stay secondments may be exempt from New Zealand tax if they are not present in New Zealand for more than 183 days, their overseas employer is resident in a country with which New Zealand has a DTA, and their remuneration is not borne by the non-resident's place of business in New Zealand.

Where New Zealand does not have a DTA with the employer's country of residence, the individual cannot be in New Zealand for more than 92 days in aggregate in any 12-month period if they wish to remain exempt from New Zealand tax.

New Zealand also has an exemption for new migrants who become New Zealand tax residents. It exempts their foreign sourced income (other than employment or service income) for approximately four years. New Zealand sourced income is taxable during this period.

An attribution rule exists to ensure that income from the personal services of an individual is attributed to that individual, rather than being diverted to an associated person, such as a company, that pays tax at a lower rate.

The attribution rule will apply when a provider of personal services interposes an intermediary between himself or herself and the recipient of the services, so as to escape the top 33% marginal tax rate. Income is allocated to the provider of the service, rather than the intermediary.

Resident Withholding tax

New Zealand has a resident withholding tax (RWT) regime that applies to interest and certain dividend payments paid by New Zealand residents to other New Zealand residents (and, in the case of interest, non-residents that have a fixed place of business in New Zealand) and to certain distributions made by Māori authorities.

The RWT is deducted by the payer of interest or dividends and remitted to the Inland Revenue Department unless the recipient holds an exemption from RWT. The recipient obtains a tax credit for the amount deducted. RWT on interest payments is deducted by the payers at the statutory rate indicated by the recipient if the recipient has provided the payer with their Inland Revenue Department tax file number.

Where a tax file number is not provided, or a recipient does not indicate a statutory rate of deduction, RWT on interest is deducted at the rate of 33% for a natural person or trustee, or 33%

for a company (or 28% where a company does not elect a rate, but provides a valid tax file number).

RWT is deducted at the rate of 33% from gross dividends paid. Any imputation credits allocated to the dividend are taken into account in calculating the RWT. An election may be made to exclude a fully imputed dividend paid to a New Zealand resident company from the RWT regime.

Tax obligations of employers

Employers must deduct PAYE tax (pay as you earn) from payments of wages or salaries made to employees. The PAYE is deducted on account of the employee's final tax liability for an income year. The employee is able to obtain a refund or be required to pay additional tax depending on the amount deducted.

New Zealand has an accident compensation and rehabilitation insurance scheme, ACC, which abrogates the right to sue for damages for accidental injuries. Both the employer and employee must pay a levy towards this compensation scheme.

Employers who provide non-cash benefits to employees by reason of employment pay Fringe Benefit Tax (FBT). These benefits include company vehicles, low-interest loans and subsidized goods. FBT is deductible, resulting in a maximum after-tax expense to the employer of 33%.

Any contributions made by an employer to most superannuation schemes are deductible to the employer but subject to a withholding tax levied at the rate of 10.5%, 17.5%, 30% or 33% depending on the employee's annual salary or wages.

Employers must deduct KiwiSaver employee contributions from payments of wages and salaries made to employees who are members of a KiwiSaver scheme (unless the employee is taking a contribution holiday). Existing employees may opt into KiwiSaver at any time. New employees are automatically enrolled in KiwiSaver but may opt out within a specified time period.

Employers must also make a compulsory employer KiwiSaver contribution. KiwiSaver employer contributions or contributions to a complying superannuation fund made by an employer are deductible to the employer and are subject to the withholding tax described above.

Goods and Services Tax (GST)

GST is charged at a rate of 15% on the supply of most goods and services. The supply of financial services and the supply of residential rental accommodation are the principal exemptions from GST. GST is intended to be borne by the final consumer of goods and services.

Businesses are able to register for GST and claim a credit for any GST they incur in conducting their business (input credits) while charging GST on their sales (output tax). Where output tax exceeds input credits, the difference is payable to the Inland Revenue Department. Conversely, where the credit claimed on inputs exceeds the GST payable on outputs, the Inland Revenue Department refunds the difference.

A person can register for GST provided that they conduct or intend to conduct a taxable activity. A taxable activity is any activity carried on continuously or regularly involving the supply of goods and services to another person for money or money's worth. Registration is compulsory when taxable supplies made in New Zealand have exceeded or are likely to exceed NZ$60,000 in any 12-month period.

GST is imposed (at 15%) on the supply of remote services by non-residents to private New Zealand consumers, if the value of the non-resident's New Zealand supplies exceeds NZ$60,000 per annum. These rules apply to supplies of digital content and other digital services provided cross border into New Zealand. However, GST is not imposed on supplies of remote services by non-residents to GST registered persons that use those services in the course of their taxable activity. A similar regime is proposed in respect of non-resident suppliers of low-value goods, as well as electronic marketplaces and redelivers of such goods. The proposed regime is expected to be passed into law by the end of 2019.

Social Security

Social security is largely non-contributory in New Zealand, and officially neither employees nor employers make contributions.

In practice, however, employees and the self-employed must contribute to the Accident Compensation Corporation (ACC, www.acc.co.nz) scheme, which provides compensation in the event of an accident, either at work or elsewhere. ACC contributions are deducted from salaries usually via the pay-as-you-earn (PAYE) system at the rate of $1.20 per $100 of liable earnings up to an earnings limit of $85,795 (the figures and rates are usually reviewed annually).

It's important to note, however, that receiving any sort of government benefits, which are collectively known as 'government transfers', isn't conditional upon having contributed to the scheme. Unemployment and sickness benefits, for example, are available to all New Zealanders and permanent residents irrespective of their employment history, although there may be other eligibility criteria and means testing.

Eligibility

New Zealand nationals, permanent residents and foreign workers temporarily employed in New Zealand are covered by social security, without the need to make social security contributions. (They must, however, make contributions to the ACC scheme).

Benefits are normally paid only after a minimum period of residence, e.g. unemployment benefit is available only after you've lived in New Zealand for two years, and national superannuation (state pension) usually requires a ten-year residence period. However, New Zealand has reciprocal agreements with certain countries (including Australia, Canada, Denmark, Greece, Guernsey, Ireland, Jersey, the Netherlands and the UK), under which those migrating from these countries can apply for New Zealand social security benefits as soon as they arrive to take up permanent residence.

It's important to note that a reciprocal agreement entitles you only to apply for benefits; whether or not a benefit is paid may depend on other criteria. Not all residents are eligible for all benefits, as various 'tests' (e.g. income and other means) may be used to determine whether you're entitled to them.

Benefits

Social security benefits are paid (where appropriate) at a flat rate, irrespective of your previous income. Benefits are taxable (assuming you earn enough to pay tax) and the Department of Social Welfare deducts the tax due (if applicable) before paying benefits. If you receive a benefit for the first time and aren't registered for tax, you should contact your local IRD office, which will issue you with an IRD number. This is required by Work and Income in order to deduct tax before paying your benefits. Those who receive no income other than benefits receive an 'M' tax code.

Payroll

According to the Department of Labor, it is not a legal requirement for employers to provide payslips to their staff unless it is stipulated in their contracts. All employees do however have the right to view and copy the personal payroll data held by their employer regarding them. Employees frequently request payslips even from employers who do not supply them on a regular basis as they are needed as proof on income when applying for a loan, arranging childcare payments and many other scenarios. While it may not be a legal requirement, it is good business practice to provide pay slips to employees and not doing so looks very unprofessional.

All salary and wage income is income taxable in the financial year in which it is actually received, regardless of when it was earned. Tax should be withheld at the time when the payment is made to the employee.

Depending on the size of the employing entity, there may be a requirement to report all payments to IRD within 48 hours of the payment to employee's being made. Keep records on paper or electronically (as long as the information can be accessed easily and converted into written form).

Keep wages and time records, and holiday and leave records for six years (even if the employee has left).

Keep a signed copy of the employment agreement, or current signed terms and conditions, or intended employment agreement (and employees must be given their copy if they ask for it).

Employment Law

In New Zealand, all employees must have a written employment agreement. Employees can agree to enter into an individual employment agreement, or alternatively, can join a union which negotiates a collective agreement with the employer. Around one in five people employed in New Zealand belong to a union, with the health care and education industries being the most unionized sectors.

Certain employers can employ new employees on a trial period for 90 days. Although the employee enjoys most of the rights afforded to employees by law during this period, the employer is entitled to terminate the employment without reason, provided certain conditions are complied with.

The minimum wage in New Zealand is currently NZ$16.50 per hour before tax, for an 'adult worker' (an employee aged 16 years and over and who is not a 'trainee' or 'new entrant'), and the average weekly earnings is around NZ$1,170. Employees have a minimum statutory annual leave allowance of four weeks, and enjoy 11 annual public holidays. A range of other employee allowances are provided by law, including five days of sick leave, 22 weeks paid parental leave, and bereavement leave.

All employers are required by law to contribute to a Government-controlled insurance fund in respect of personal injuries suffered at work. These entitlements are available to employees on a 'no fault' basis. Similar funds also cover personal injuries incurred outside of work and the legislation prohibits actions for damages as a result of personal injury.

KiwiSaver is a voluntary superannuation scheme that all employers must offer to their employees. Employees who participate in KiwiSaver must contribute at least 3% of their before tax earnings to the superannuation scheme of their choice and employers must also contribute at least 3% on behalf of each participating employee. Private superannuation schemes are less common in New Zealand than in many comparable jurisdictions.

New Zealand has a comprehensive health and safety regime and businesses are responsible for the health and safety of their workers. This includes providing and maintaining a safe working environment. A business and its officers (directors and other individuals in senior governance positions) can be prosecuted by the regulator for a breach of the health and safety regime and significant penalties can be imposed (including fines and imprisonment).

The rights and obligations of contractors in New Zealand are different to those of employees. Contractors, for example, are not afforded the same protections under employment law in New Zealand and are responsible for their own taxes.

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Leaves

The statutory leaves for New Zealand have been summarized in the below table:

Leave Type	Eligibility	Compensation	Leave Duration
Annual Leave	• After the completion of 1 year	Paid	4 weeks
Sick Leave	• Doctor's notice	Paid	5 days – fully paid a year after the first 6 months of continuous employment and an additional 5 days after each subsequent 12-month period
Bereavement Leave	• Death of direct family member	Paid	3 days
Special Leave	• Employees who are pregnant	Unpaid	10 days
Childbirth Leave for Male Employees	• Birth of a child	Unpaid	2 weeks
Education Leave	• In a year	Paid	10 weeks
Maternity Leave	• Completion of the probation period	paid	26 weeks
Unpaid Leave	• Employer prior approval	Unpaid	Max durations is defined by the employer.

Termination of Employment

Most individual employment agreements are indefinite (i.e. they continue until terminated) but the law also recognizes casual and fixed term employment arrangements. Fixed term agreements are lawful, but subject to certain restrictions.

The employee can end an indefinite employment arrangement by giving the specified notice period. However, an employer can terminate an employee's employment only after following a prescribed legal process and only for genuine substantive reasons such as redundancy, misconduct, poor performance, abandonment or incapacity. An employee has 90 days following any termination to raise a personal grievance claim against the employer.

An exception to these termination provisions is available for businesses with fewer than 20 employees. They can take new employees on for a 90-day trial period, provided this is agreed in writing between the parties at the time of hiring. There are strict requirements regarding trial period clauses (for example, agreements with trial clauses must be signed before the employee starts work).

There is no statutory right to redundancy compensation in New Zealand and, other than in very limited circumstances, compensation is only payable if it is provided for in the employment agreement.

Immigration

In general, all visitors to New Zealand must apply for a visa to enter the country. Visitors and Business visitors who hold passports from a visa waiver country can obtain a visa on entry at the New Zealand border for short periods of time to undertake limited activities. However, if an individual intends to work in New Zealand, they must obtain a work visa. Business visitor and visitor visa applicants from non-visa waiver countries and all work visa applicants must pre-apply for their visa ahead of their travel to New Zealand and meet the generic temporary entry instructions. This includes health and character requirements. An employer of a work visa applicant must provide evidence that no suitably qualified New Zealanders can perform the job offered to the applicant. Exceptions exist for employers who are accredited with Immigration New Zealand and for some work visa categories such as the Specific Purpose or Event category. Family members can obtain visas on the basis of their relationship to the principal applicant. If the principal applicant is granted a work visa for six months or more, the spouse is eligible for work rights in New Zealand. Dependent school age children are eligible for student visas to allow them to attend New Zealand primary and secondary schools as domestic students. New Zealand employers must ensure that all employees hold the correct work rights to work for the employer in their current role and maintain up to date records of this data. If a migrant employee's role or work location changes while they are working in New Zealand a Variation of Conditions or new work visa application may be required.

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