



Tax rules for foreign superannuation lump sums

If you withdraw or transfer a lump sum from a foreign superannuation scheme while you are a New Zealand tax resident the lump sum could be taxable. This factsheet gives you an overview of the rules. For more detailed information, go to ird.govt.nz/toii/

If you've withdrawn or transferred a lump sum from a foreign superannuation scheme, you may need to pay income tax on the amount. How it works depends on when the lump sum was withdrawn, and how you've accounted for your scheme in the past.

Definitions

Foreign superannuation scheme: A scheme created outside New Zealand to provide people with retirement benefits (for example, United Kingdom pension schemes). This definition does not include schemes set up under another country's social security legislation. It refers to investments acquired while you were non-resident. If the investment was acquired while you were a New Zealand tax resident, it is taxed under the FIF rules.

Lump sum: A single payment paid to you directly, or transferred to your New Zealand or Australian superannuation scheme. A lump sum does not include a pension paid regularly to you from a foreign superannuation scheme (which is generally taxable in full when received).

Exemptions

Four-year exemption

A four-year lump sum exemption period generally applies, if you have not previously had an exemption period. The exemption period starts from the date you become a New Zealand resident. It runs until the end of 48 months from the beginning of the month after the one in which you become a New Zealand resident. If you receive a lump sum within the first four years of becoming a New Zealand tax resident, you will not have to pay tax on the amount you receive. For more information on calculating your start and end dates, see ird.govt.nz/foreign-super

Australia to New Zealand transfers

The Australian transfer exemption is effective from 1 April 2010. This means that when you transfer/withdraw a lump sum from an Australian scheme into New Zealand, this is not taxable.

But if you transfer/withdraw a lump sum from a foreign superannuation scheme into an Australian scheme, this is taxable.

Foreign to foreign superannuation transfer

A transfer from a foreign superannuation scheme to another foreign superannuation scheme (that is not in Australia) is not taxable income from 1 April 2014.

Calculating taxable income

In most cases, you'll need to pay income tax on the lump sum, unless you qualify for an exemption. You can calculate the tax using the "schedule method" or the "formula method". The schedule method is the default method.

The schedule and formula methods are only available if you were a non-resident when you first acquired interest in your scheme.

The schedule method

Under the schedule method you pay tax on a percentage of the lump sum. The percentage varies according to how long you've been a New Zealand tax resident. Follow these steps to calculate the percentage.

1. Work out the last day of your four-year exemption period. Or if you do not have an exemption period, the last day you were non-resident while holding the interest in your scheme.
2. Note the income year in which this date falls (call this year A).
3. Note the income year* in which you withdraw the lump sum (call this year B).
4. Subtract year A from year B. The resulting number gives you the "year" to use in the table over the page. (If the result is zero, you need to use year 1.)
5. Find your percentage.
6. Multiply your lump sum by this percentage.
7. Include the result in your IR3 return.

* For most people, the income year runs from 1 April to 31 March. That means their 2026 income year covered the period 1 April 2025 to 31 March 2026.

Year	Percentage %	Year	Percentage %
1	4.76	14	60.27
2	9.45	15	64.08
3	14.06	16	67.84
4	18.60	17	71.53
5	23.07	18	75.17
6	27.47	19	78.75
7	31.80	20	82.28
8	36.06	21	85.74
9	40.26	22	89.16
10	44.39	23	92.58
11	48.45	24	95.83
12	52.45	25	99.08
13	56.39	26+	100.00

For more information on calculating your income under the schedule method, see ird.govt.nz/schedule method.

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

The formula method

You can only use this option if you have a defined contribution scheme (this is different from a defined benefit scheme). Under the formula method, you are taxed on the actual gains of your foreign superannuation scheme interest between the date your four-year exemption expires and the date you receive the lump sum.

For more information, go to ird.govt.nz/formula method. Please seek tax advice if you want to use this method as it is complex.

KiwiSaver

If you transfer a lump sum to a KiwiSaver scheme, you may have to pay income tax and any Student loan repayments. You can withdraw funds from your KiwiSaver account to pay Inland Revenue. Contact your scheme provider for details.

“Scheme pays” option for qualifying UK and other pension fund transfers

From 1 April 2026, some New Zealand retirement fund schemes can access your transferred funds to pay the New Zealand tax to us on your behalf without breaking the superannuation scheme rules. This is known as “scheme pays”. It helps people whose funds have rules which prevent them from personally taking money out of the scheme before retirement age, but still need to pay the tax on the transfer.

You can ask the scheme to directly pay the tax to us from the funds.

The tax is a flat 28%, which may be lower than the tax rates for individuals. The 28% is charged on the amount you have worked out using the schedule (or formula) method explained earlier.

If your scheme pays this tax from your funds and there are no errors, the tax is final. You do not need to include this income in your end-of-year tax return.

If you do not elect “scheme pays”, you will be liable for income tax at your marginal tax rates at the end of the financial year of transfer.

Working for Families, FamilyBoost, student loans, child support and provisional tax

As a result of receiving the lump sum, your taxable income may increase and affect these obligations or entitlement. Go to ird.govt.nz/toii/ to find out how your lump sum affects these payments. If you use the “scheme pays” option, these will not be affected.

Double tax agreements

New Zealand may have a double tax agreement with the country that your scheme is based in.

The terms of the agreement may affect the extent to which New Zealand may tax your lump sum. These agreements also determine whether you are able to claim a foreign tax credit in your New Zealand income tax return for foreign tax paid, or if you must apply for a refund from the other country's tax authority. For more information, go to ird.govt.nz/double tax agreement.



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