



**Inland Revenue**  
Te Tari Taake

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# Overseas social security pensions

For information about other overseas pensions and annuities, read our guide **Overseas pensions and annuity schemes - IR257.**

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# Contents

<b>ird.govt.nz</b>	2
How to get our forms and guides	2
Terms we use	4
Introduction	5
Are you a New Zealand tax resident?	5
Temporary tax exemption on foreign income	6
Receiving your overseas social security pension	7
Pensions paid direct to you	7
Special banking option	7
Calculating and paying New Zealand income tax	9
Your New Zealand tax obligations	11
Getting an IRD number	11
When you need to file an <i>Individual tax return (IR3)</i>	11
If you receive an Income tax assessment	11
Paying your tax	12
How to estimate your tax	12
Making an end-of-year payment	12
Paying provisional tax	12
Using a tailored tax code	13
Making voluntary payments	14
Keep your payment records	15
Special banking option	15
Payments received direct	15
Payments received in a New Zealand bank account	15
Converting overseas amounts to New Zealand currency	16
Examples of taxing pensions	17
Payment chart	20
More help if you need it	21
Need to speak with us?	21
0800 self-service numbers	21
Privacy	22
If you have a complaint about our service	22

## Terms we use

**Pension** - a regular payment, generally from an overseas superannuation scheme or pension fund when you reach retirement age.

**Pension scheme** - a savings plan, sometimes called superannuation or retirement plans, to accumulate funds for retirement. On retirement the scheme may pay out a lump sum, pension or both. They are often set up through an employer, trade union or insurance company.

**Permanent place of abode** - to have a permanent place of abode in New Zealand there must be somewhere in New Zealand you could live, ie, a house or other dwelling. If there is somewhere in New Zealand you could live, all of your ties and links with New Zealand need to be considered to decide whether it's your permanent place of abode. The types of ties that are relevant are:

- whether you make trips back to New Zealand and for how long
- your past use of the dwelling in New Zealand
- family and social ties
- employment, economic and property ties
- whether you intend to come back to New Zealand to live (and if you do, when).

If you have strong ties to New Zealand it's likely you have a permanent place of abode in New Zealand, but all of your circumstances need to be considered.

**Social security pension** - an income entitlement generally based on citizenship or residence and administered or paid by the government or state of a particular jurisdiction. For example, the State Pension in the United Kingdom (UK) and New Zealand Superannuation in New Zealand.

**Taxable income** - income you have to pay tax on.

# Introduction

This guide explains your tax responsibilities when you receive an overseas social security pension.

If you're a New Zealand tax resident, generally you're taxed on your overseas social security pension in New Zealand.

Information in this guide includes:

- working out whether you're a New Zealand tax resident
- receiving your overseas social security pension
- calculating and paying New Zealand income tax
- your New Zealand tax obligations
- examples of calculating your tax when receiving a social security pension
- whether you can claim a tax credit in your New Zealand tax return for tax paid overseas.

The rules for paying tax on overseas social security pensions can be complex and you may want to get advice from a tax advisor specialising in this area.

## Are you a New Zealand tax resident?

If you're a New Zealand tax resident, you generally have to include your worldwide income in your New Zealand tax return, unless that income is specifically exempted. This includes your overseas social security pension.

You're a New Zealand tax resident (for tax purposes) if:

- you have a permanent place of abode in New Zealand, or
- you've been in New Zealand for more than 183 days in any 12-month period and haven't become a non-resident, or
- you're away from New Zealand in the service of the New Zealand Government.

You become a non-resident for tax purposes if:

- you don't have a permanent place of abode in New Zealand, and
- you're away from New Zealand for more than 325 days in any 12-month period (these don't have to be consecutive days, and if you're here for only part of a day it's counted as a whole day).

### **Temporary tax exemption on foreign income**

From 1 April 2006, new migrants and returning New Zealanders may be eligible for a temporary exemption from tax on most types of individual income derived from overseas, including overseas social security income. To be eligible for this temporary tax exemption you must:

- have qualified as a tax resident in New Zealand on or after 1 April 2006, and
- be a new migrant or returning New Zealander who hasn't been a New Zealand tax resident at any time in the 10 years prior to qualifying as a New Zealand tax resident, and
- you haven't been a transitional resident at all before
- not have been receiving Working for Families Tax Credits (this applies for your spouse or partner).

If you qualify, you will be known as a transitional resident, and the tax exemption is automatically granted. The temporary tax exemption for foreign income starts on the first day you're a tax resident here. It ends 48 months after the month you qualify as a tax resident in New Zealand. You can elect not to be a transitional resident.

For more information go to [ird.govt.nz/tax-residency](http://ird.govt.nz/tax-residency) or read our guide **New Zealand tax residence - IR292**.

# Receiving your overseas social security pension

Generally, if you're entitled to NZ Super or a New Zealand benefit or pension, Work and Income will pay you any difference between your New Zealand entitlement and the amount of your overseas pension entitlement, so you don't lose out.

There are two ways you can receive your overseas social security pension in New Zealand.

## Pension paid direct to you

Your overseas social security pension may be paid direct into your New Zealand or overseas bank account on a regular basis during the year, or in a lump sum once a year, depending on the pension.

Some overseas social security pensions are also taxable in the country you receive them from, even if you're a New Zealand resident. You may be able to claim a tax credit in your New Zealand tax return for tax you pay overseas.

However, in most circumstances, New Zealand has full taxing rights on pensions. If tax was paid overseas on these particular pensions you should apply to the overseas pension scheme administrator or the overseas tax authority for a refund. You can't claim the overseas tax paid as a foreign tax credit in your New Zealand tax return.

If you receive your overseas pension payments straight into your bank account, you must arrange to pay New Zealand income tax on the payments. You do this by completing an **Individual tax return - IR3** at the end of each tax year - see page 10 for details.

## Special banking option

Some overseas social security pensions can be paid through Work and Income using the special banking option. Under this option your overseas pension is deposited into a special Westpac bank account. Work and Income withdraws the funds and pays you an equivalent amount of NZ Super, veteran's pension or income-tested benefit.

Work and Income deducts New Zealand income tax from the payment before you receive it so you don't need to arrange this yourself. However, you will be sent an Income tax assessment at the end of each tax year - see page 12 for details.

If you also receive direct payments of holiday pay and/or a voluntary component, you must arrange to pay New Zealand income tax on them.

For more information about the special banking option, please contact your nearest Work and Income service centre or call them on 0800 777 227.

## Who can use the special banking option

### United Kingdom

The special banking option is available to you if you receive pension payments from the UK Department of Work and Pensions.

### Netherlands

The special banking option is available if you receive a Netherlands social security pension. Any **additional** Netherlands social security payments, such as holiday pay or any voluntary component will continue to be paid direct to you without any tax deducted. If you receive any of these you must arrange to pay New Zealand income tax on them.

### Ireland

If you receive an Irish social security pension, you can choose to receive it either direct or by the special banking option. If you receive a Christmas bonus payment paid through the special bank account, Work and Income will pay this amount to your personal bank account. You must arrange to pay New Zealand income tax on these payments.

### Australia

The special banking option is available if you receive a **taxable** Australian social security pension.

If you have any questions about your overseas pension entitlements, please contact the relevant overseas agency direct.



# Calculating and paying New Zealand income tax

If you're a New Zealand tax resident, your overseas social security pension is generally taxable in New Zealand.

Most overseas social security pensions are paid straight to recipients. This means you need to pay New Zealand income tax on the income by completing an *Individual tax return (IR3)* at the end of each tax year. You may also:

- use a tailored tax code
- pay provisional tax
- make voluntary payments.

If you receive your overseas social security pension through the special banking option, Work and Income deducts New Zealand income tax from the payment before you receive it so you don't need to arrange this yourself. However, you will be sent an Income tax assessment at the end of each tax year.

If you also receive payments of holiday pay and/or a voluntary component direct, you must arrange to pay New Zealand income tax on them.

## United States social security pensions

A social security pension from the United States **isn't** taxable in New Zealand so doesn't need to be included in your tax return.

## Netherlands social security pensions

If you receive a Netherlands social security pension while both a New Zealand tax resident and a New Zealand citizen, the pension is only taxable in New Zealand.

If you receive a Netherlands social security pension while a New Zealand tax resident but you're not a New Zealand citizen, the pension may be subject to tax in both the Netherlands and New Zealand. New Zealand will allow a credit for the tax paid in the Netherlands under New Zealand's foreign tax credit rules.

## **Australian social security pensions**

If you receive an Australian social security pension that wouldn't have been taxable in Australia had you received it while still resident there, then it's exempt in New Zealand and you don't need to include it in your New Zealand tax return.

In addition, lump sums paid from Australia as retirement benefit schemes resulting from invalidity, disability or death are only taxable in Australia so don't need to be included in your New Zealand tax return.

If you're unsure if the Australian pension you receive is tax-free in Australia, you can contact the Australian Taxation Office for further advice.

# Your New Zealand tax obligations

As a New Zealand tax resident receiving an overseas social security pension, you'll need an IRD number and to know what your filing responsibilities are.

## Getting an IRD number

If you haven't had a personal New Zealand IRD number before, you'll need to apply for one by filling in an **IRD number application - individual - IR595** form and following the verification process. When you receive your IRD number, you'll need to have it with you when you call us.

If you've had a New Zealand IRD number before, call us on 0800 227 774 to check it's still valid.

## When you need to file an Individual tax return - IR3

You need to complete an IR3 if you:

- receive your overseas social security pension direct
- receive other overseas income or have overseas investments
- have other untaxed income over \$200
- are in business
- receive income from some New Zealand investments.

If you received any untaxed payments direct, you must include these in your tax calculation.

Find out more at [ird.govt.nz/end-of-tax-year](https://ird.govt.nz/end-of-tax-year)

## If you receive an Income tax assessment

You will receive an Income tax assessment if we have all your income information for the tax year. Your assessment shows if you are due a refund or if you have tax to pay.

## Paying your tax

Estimating the approximate amount of tax to pay is a good way of working out if you'll have one tax payment (end-of-year tax) or have to pay it regularly during the year (provisional tax).

### How to estimate your tax

When estimating your yearly taxable income, you need to treat your overseas social security pension as the "top dollar" of your income and use the top tax rate for estimating your pension income.

Tax rates are progressive. For example, if you earn \$71,000 a year, the first \$14,000 is taxed at the lowest tax rate. The amount between \$14,001 and \$48,000 is taxed at the next level. Between \$48,001 and \$70,000 the tax is at the third level and any income over \$70,000 is taxed at the highest rate.

See the personal tax rates at [ird.govt.nz/tax-rates](http://ird.govt.nz/tax-rates)

#### Note

The following information applies if your tax year ends on 31 March (standard balance date). If your balance date is different, some of your payment dates may also be different.

### Making an end-of-year payment

If you have tax to pay, you must pay it by 7 February of the following year, or 7 April if you're linked to a tax agent with an extension of time. You can pay in a lump sum on or before the due date, or you can make a series of payments up to the due date.

### Paying provisional tax

If your tax to pay (residual income tax) is more than \$5,000 (\$2,500 for 2019/20 and earlier years) and you expect it to be over \$5,000 for the following year, you may have to pay provisional tax.

Most people pay provisional tax in three instalments during the income year - on 28 August, 15 January and 7 May. When you file your tax return after 31 March, the amount you have paid is deducted from the tax due in your return.

If you're registered for GST and you make your GST payment six-monthly, or use the ratio option, your provisional tax payment dates will alter.

Read our **Provisional tax - IR289** guide for more information.

In the year following your first year as a provisional tax payer, you'll have the previous year's end-of-year tax bill to pay, plus your three provisional tax instalments.

### **Example**

Rita becomes a provisional tax payer for the first time in the 2020 tax year. She must pay:

- the first instalment of her 2020 provisional tax on 28 August 2019
- the second instalment of her 2020 provisional tax on 15 January 2020
- her 2019 end-of-year tax on 7 February 2019
- the last instalment of her 2020 provisional tax on 7 May 2020.

## **Using a tailored tax code**

If you receive NZ Super or income from employment in New Zealand, you can request a tailored tax code. This means tax is deducted at a special rate to suit your circumstances.

So, instead of having to pay the tax on your overseas social security pension in a lump sum at the end of the year, you pay the tax progressively throughout the year, based on your estimated income.

Please note the following points if you're thinking about applying for a tailored tax code:

- You can't have a tailored tax code on interest or dividends, a widow's benefit or any other income-tested benefit, or on a non-taxable pension (such as the Government Superannuation fund or life insurance funds).
- You can choose to have a tailored tax code that covers only part of your tax liability and pay the rest of your tax in another way.
- Using a tailored tax code may reduce your residual income tax so you're not liable for provisional tax.

For more information about tailored tax codes, read our guide **How to tell if you need a tailored tax code or declaration rate - IR23G**.

## Making voluntary payments

You can choose to make voluntary payments during the year as you receive your pension, instead of one lump sum at the end of the year.

There's no formal procedure for making voluntary payments - you can choose the payment method most convenient for you and we'll credit your account. You can direct credit the amount (electronically through your bank). Please make sure you give us your IRD number, tax type and tax year when you make any payments, so we credit the right account.

Keep a record of how much you pay in voluntary payments or ask us to send you a statement. You need to know how much you've already paid when you make your final payment of income tax or when you work out your tax return for the following year.

To find out more about the different ways you can pay your tax, read our **Making payments to Inland Revenue - IR584**.

# Keep your payment records

## Special banking option

If you use the special banking option for your overseas social security pension, Work and Income will keep a record of your overseas pension payments.

## Payments received direct

If you receive your overseas social security pension direct, you need to keep a record of the amounts you receive and the dates you receive them. You can use the chart on page 22 for this.

You must also keep bank or internet banking statements or bank books as proof of your payments throughout the year.

## Payments received in a New Zealand bank account

If you receive the payments in a New Zealand bank account, they'll be converted to New Zealand dollars on the day they go into your account. You can use the chart on page 22 to keep a record of them.

You must also keep your bank statements or bank books as proof of your payments throughout the year.

# Converting overseas amounts to New Zealand currency

When preparing your tax returns you'll need to convert the overseas amounts (pension income and foreign tax credit claims) into New Zealand currency.

If you receive your pension in a New Zealand bank account it will already have been converted to New Zealand dollars.

Otherwise, you can do the currency conversion:

- by going to [ird.govt.nz/tools-calculators](https://ird.govt.nz/tools-calculators) and using the latest rates
- by using the mid-month exchange rates published in our **Conversion of New Zealand dollars to overseas currency - IR270** exchange rate worksheet. The IR270 is published in May each year and covers the previous 12 months
- by getting the exchange rate for the day the pension went into your overseas bank account (available from any trading bank).

To convert an amount of overseas currency to New Zealand dollars, divide the overseas amount by the rate for the month you received it.

You must use the same conversion method for the whole year.

## *Example*

To convert a UK payment of £2,400 paid in August 2019:

$$\text{UK£}2,400 \div 0.4729 = \text{NZ\$}4626.06$$



# Examples of taxing pensions

People receiving pensions in New Zealand come from all around the world, and we have double tax agreements with many countries. All the agreements are different and so are the rules for where and how pensions are taxed. Arrangements for countries we don't have agreements with are different again. The following examples cover the main situations for overseas pensioners.

If you need more detailed information, go to [ird.govt.nz/dta](https://ird.govt.nz/dta) or contact a tax professional.

## Salary, interest and an overseas social security pension

This is Keith's estimated income for the 2020 income year.

Salary (NZ)	\$27,000
Interest (NZ)	\$3,000
UK social security pension (paid direct)	\$5,000
Total income	\$35,000

Keith will only have to pay tax on the UK pension. His salary and interest already have tax deducted when he receives them.

Because he receives overseas income but isn't a transitional resident (see page 6), he'll have to file an IR3 for 2020. The tax to pay on his UK social security pension will be \$875 ( $\$5,000 \times 17.5\%$ ), so his residual income tax will be under \$5,000.

Keith's payment options are to:

- have a tailored tax code for his salary
- make voluntary payments up to 7 February 2021 (or 7 April 2021 if he's linked to a tax agent)
- pay the end-of-year tax on 7 February 2021 (or 7 April 2021 if linked to a tax agent).

If Keith's UK pension was also taxed in the UK, he can't claim a credit for the tax he paid overseas in his New Zealand tax return. He must contact HM Revenue & Customs to claim a refund and an exemption so his pension will in future be paid free of any future UK income tax.

For more information go to [HMRC.gov.uk/pensioners](https://www.hmrc.gov.uk/pensioners)

## Overseas social security pension deducted from a Work and Income benefit or pension

Theo's 2020 income is given below.

Greek social security pension	\$6,000
NZ Super top-up from Work and Income	\$14,235
Total income	\$20,235

Because he receives overseas income but isn't a transitional resident (see page 6), he'll have to file an IR3 for 2020. The tax to pay on his Greek pension will be \$1,050 ( $\$6,000 \times 17.5\%$ ), so his residual income tax will be under \$5,000.

Theo's payment options are to:

- have a tailored tax code for his NZ Super
- make voluntary payments up to 7 February 2021 (or 7 April 2021 if Theo is linked to a tax agent)
- pay the end-of-year tax on 7 February 2021 (or 7 April 2021 if he's linked to a tax agent).

If Theo's Greek pension was also taxed in Greece, he can claim a credit for the tax he paid overseas in his New Zealand tax return. He can only claim income tax paid and not social insurance or other levies because these are not substantially the same as New Zealand income tax.

If Theo requests a tailored tax code for his NZ Super, he'll have little or no end-of-year tax to pay.

## New Zealand salary and an overseas pension

This is Costa's estimated income for the 2020 tax year.

Salary (NZ)	\$40,000
Greek social security pension	\$18,000
Total income	\$58,000

Costa will have \$5,400 tax to pay on his overseas pension ( $\$18,000 \times 30\%$ ) and he'll have to file an IR3. Because this is over \$5,000 he'll need to pay provisional tax in 2021.

Instead of paying provisional tax, Costa could cover the \$5,400 by using a tailored tax code for his salary.

## Overseas pension and New Zealand interest and dividends

This is Carol's income for the 2020 tax year.

Overseas social security pension	\$12,000
Interest and dividends (NZ)	\$14,000
Overseas private pension	\$19,500
Total income	\$45,500

Carol is a provisional tax payer because the tax due on the overseas pensions will be over \$5,000 ( $\$12,000 + \$19,500 = \$31,500$ ;  $\$31,500 \times 17.5\% = \$5,512.50$ ) and she'll have to file an IR3.

She can't use a tailored tax code because she has no New Zealand income. Carol's provisional tax to pay will be due in three equal instalments - on 28 August 2020, 15 January 2021 and 7 May 2021.

Carol may be entitled to claim a credit for any tax she's already paid, depending on which country paid her pension.



# More help if you need it

## Need to speak with us?

Have your IRD number ready and call us on one of these numbers.

General tax, tax credits and refunds	0800 775 247
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're open 8am to 8pm Monday to Friday, and 9am to 1pm Saturday. We record all calls.

Our self-service lines are open 7 days a week - except between 5am and 6am each day. They offer a range of automated options, especially if you're enrolled with voice ID.

Find out more at [ird.govt.nz/contact-us](https://ird.govt.nz/contact-us)

## 0800 self-service numbers

Our 0800 self-service numbers are open 7 days a week - except between 5am and 6am each day. Make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN.

Order forms, guides and returns	0800 257 773
All other services	0800 257 777

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

## Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at [ird.govt.nz/privacy](https://ird.govt.nz/privacy)

## If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at [ird.govt.nz/disputes](https://ird.govt.nz/disputes)