Regulatory Impact Statement: Tax treatment of digital nomads and other visitors

Decision sought	*Final Cabinet decisions*
Agency responsible	*Inland Revenue*
Proposing Ministers	*Minister of Revenue*
Date finalised	*11 June 2025*

The proposal is to address tax issues that could be discouraging foreign visitors (such as remote workers and digital nomads) from remaining in New Zealand for longer than 92 days (where they are undertaking remote work while in New Zealand).

Summary: Problem definition and options

What is the policy problem?

In January 2025, the Government announced that visitor visa holders can work remotely for foreign employers or clients while visiting New Zealand (known as remote workers or digital nomads), generally for up to 9 months. The purpose of this change was to attract visitors to New Zealand who would want to undertake remote work while in New Zealand.

In general, income earned by a visitor from undertaking remote work while in New Zealand is subject to New Zealand income tax. However, this income may be exempt if the visitor is in New Zealand for 92 days or less, and if a Double Tax Agreement (DTA) applies, then New Zealand income tax may not be imposed for up to 183 days.

However, once the income is subject to New Zealand income tax or the person becomes tax resident, then New Zealand tax obligations are imposed, including potentially withholding taxes, filing income tax returns and GST obligations. As well, there may be New Zealand tax obligations imposed on the foreign employer.

While it is anticipated the vast majority of visitors would not be subject to New Zealand income tax while in New Zealand (as they are full time tourists for less than 3 months) the existing tax rules would still mean other visitors such as digital nomads would face tax uncertainty by potentially incurring New Zealand tax obligations and significant compliance costs.

Therefore, the existing tax rules are likely to still act as a significant deterrent for digital nomads and other short stay visitors seeking to stay in New Zealand for longer than 92 days (or 183 days if the visitor is tax resident in a country that has a DTA with New Zealand).

Furthermore, because digital nomads can easily depart New Zealand to avoid any New Zealand tax obligations that may be imposed on them, it is anticipated voluntary compliance is likely to be very low. Given the nature of the remote work being undertaken, and the

nomadic activity of a visitor, s 18(c)(i)

What is the policy objective?

The objective is to address tax issues that may be discouraging digital nomads, remote workers and other visitors from remaining in New Zealand for the full period allowed, including those on a visitor visa, due to the uncertainty and risk of incurring New Zealand tax obligations and disproportionate compliance costs, while maintaining the integrity of the underlying international tax rules. This issue has become more important in part due to recent changes to allow visitor visa holders (the visa type likely most used by digital nomads) to undertake remote work while in New Zealand.

Where possible, any changes should align with existing behaviour and practices of visitors such as digital nomads and others that may be undertaking remote work while visiting New Zealand.

What policy options have been considered, including any alternatives to regulation?

We considered four policy options that would reduce the impact of New Zealand's tax rules, while maintaining the underlying international tax rules:

1. Status quo: Visitors intending to work remotely during a stay of longer than 92 days will need to consider the tax implications, depending on their particular circumstances.
2. Targeted tax exemptions for non-resident visitors (preferred): Allow qualifying persons (to be called "non-resident visitors") and their employers to be eligible for several targeted exemptions so the visitor can undertake remote work without triggering New Zealand tax consequences (subject to certain requirements and integrity rules).
3. Extend existing tax concessions to include digital nomads: Extend the existing 92-day income tax exemption rule and the transitional residence rule to include visitors to New Zealand that are undertaking remote work for a foreign employer or client. Exclude digital nomads from GST registration requirements.
4. Publish guidance on the existing rules to support voluntary compliance (non-regulatory option): Inland Revenue would publish guidance for remote workers and digital nomads to support their understanding of the existing rules.

Ministers' preferred option was option 2. Introducing these changes would require amendments to tax legislation.

This analysis was largely restricted to tax policy options and increased guidance about the existing tax rules as the policy problem exists because of the existing tax settings in legislation.

Tax policy changes would complement the change to the visitor visa immigration rules to attract digital nomads and remote workers to New Zealand.

What consultation has been undertaken?

No public consultation has been undertaken on this proposal.

In recent months, we have undertaken limited, targeted high-level consultation on the income tax issues with several private sector groups, including members of the Corporate Taxpayer's Group and the Chartered Accountants Australia and New Zealand. The feedback received generally supports a change to the tax settings for digital nomads (the Minister's preferred option) with no significant concerns raised, particularly given the status quo likely means visitors are working in New Zealand for foreign employers are not complying with the current tax consequences due to a lack of awareness.

The proposed Bill process will provide an opportunity for further consultation on the design of the option and potential improvements.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?
The Minister's preferred option in the Cabinet paper (option 2) is the same as officials' preferred option in the RIS.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Outline the key monetised and non-monetised costs, where those costs fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The proposed changes effectively reduce the number of people who may be liable for New Zealand tax. However, the proposed changes are targeted and will apply narrowly to remote workers and digital nomads that are providing personal or professional services for foreign employers/clients, are not involve providing goods and services to businesses or persons in New Zealand and do not need to be physically in New Zealand to perform their work.

Currently, it is anticipated that voluntary compliance by impacted visitors is very low, and the s 18(c)(i) The fiscal impacts of the preferred option, based on limited information are expected to be a small cost (best estimated to be $200,000 per year of foregone tax revenue).

Benefits (Core information)

Outline the key monetised and non-monetised benefits, where those benefits fall (e.g. what people or organisations, or environments), and the nature of those impacts (e.g. direct or indirect)

The main benefit of the proposed changes is that it is expected to significantly reduce tax uncertainty, and consequently compliance costs, for non-resident visitors that are undertaking remote work while in New Zealand, because they will not be subject to New Zealand tax. Because the proposed changes are limited to work being undertaken for foreign employers or clients (and require the nature of the work does not require the remote worker to be in New Zealand), the proposed changes should not have any impact on competition for labour for New Zealand businesses.

In turn, the proposed changes would support the tourism industry by enhancing New Zealand's attractiveness as a tourist destination.

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

The preferred option would likely deliver the highest net benefits. It meets the policy objective with minimal fiscal costs.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

Legislative amendments to the Income Tax Act 2007 and the Goods and Services Tax Act 1985 will be made through the Annual Rates 2025-26 tax Bill. The legislative changes will take effect from 1 April 2026. Inland Revenue would be responsible for the implementation and administration of the new rules. Inland Revenue considers this to be a straight-forward change to implement.

Inland Revenue will issue guidance on its website to support taxpayer compliance. Inland Revenue will also work with the Ministry of Business, Innovation & Employment (MBIE) to ensure that the information is communicated on the Immigration New Zealand website.

Limitations and Constraints on Analysis

The cost-benefit analysis is limited primarily by data limitations. Inland Revenue and MBIE do not collect compliance information on visitor visa holders that are engaging in remote work while in New Zealand (which up to January 2025 was a breach of the visa conditions). Due to data limitations, it is assumed there is low tax compliance by remote workers and digital nomads on their New Zealand tax obligations. This assumption is informed by s 9(2)(g)(i)

The analysis is also limited by time constraints. The project was commissioned by the Minister in February 2025, with changes to be included in the Annual Rates 2025-26 tax Bill (expected to be introduced in August 2025). Further delay in amending the tax rules would likely result in visitors that are undertaking remote work departing New Zealand prematurely, to avoid New Zealand tax obligations.

In developing the solution, other than the status quo, the only options that address the policy problem have been considered. This is because options that only address some issues would not effectively achieve the objective of addressing known tax issues impacting visitors such as digital nomads.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature: s 9(2)(a)

Sam Rowe
Policy Lead
11 June 2025

Quality Assurance Statement

Reviewing Agency: Inland Revenue	**QA rating:** partially meets

Panel Comment:

There has been limited consultation on the problem, options and potential impacts, beyond some targeted high-level consultation. However, the preferred option aims to reduce compliance costs and align with existing practices and there will be an opportunity for interested parties to make submissions as part of the Bill process.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Immigration changes for NZ visitors undertaking remote work

1. In January 2025, the Government announced[1] changes to the visitor visa rules to allow visitors to work remotely for overseas-based employers or clients (as a freelancer) without being in breach of their visa. Some visitors may just be answering emails and phone calls or sending an invoice (incidental work), others may engage in full-time work for much of their time in New Zealand (known as digital nomads). When the changes were announced, anyone intending to work remotely during a visit longer than 90 days was advised to look at possible tax implications.

2. The changes means a visitor visa holder can undertake remote work that:

    - is not for a New Zealand employer,
    - does not offer goods or services in New Zealand in exchange for gain or reward from either New Zealand businesses or persons in New Zealand, and
    - does not require the visitor to be physically present at a place of work in New Zealand.[2]

3. The visitor must also be entering New Zealand for non-work purposes such as a holiday, family visit, or joining a partner.

4. The general visitor visas rules are dependent on several factors, including where the person is coming from and their length of stay. Generally, foreigners can visit New Zealand for up to six months over a 12-month period (for multiple entry visa), or nine months over an 18-month period (for single entry visa). There are some longer-term visitor visas available for specific circumstances including parent/grandparent visitor visa (up to six months at a time and 18 months over three years) and visitor visas for partners of New Zealand residents and citizens (up to three years). Visitors from visa waiver countries that arrive using an New Zealand electronic travel authority can generally stay for up to three months (or up to six months if the visitor is from the United Kingdom).

5. Ministry of Business, Innovation & Employment (MBIE) immigration officials advise the vast majority of visitor visa holders stay in New Zealand for less than 3 months. Where a person would like to remain in New Zealand for up to 9 months, they are required to first apply for a visitor visa.

Existing tax concessions for visitors

6. There are several ways a visitor undertaking remote work in New Zealand (and their associated entities) may become subject to New Zealand income tax and consequently the compliance costs to comply with those tax obligations.

7. For most digital nomads, while physically in New Zealand, they may undertake remote work for a foreign employer or client. The personal or professional services income they earn may be deemed to be New Zealand-sourced and subject to New Zealand tax. If no other rules apply (further explained below), they may be required to file a New Zealand tax return and pay New Zealand income tax. Depending on the circumstances of the visitor, they may be

[1] Going for Growth: New rules for visiting tourists | Beehive.govt.nz
[2] Operational Manual - Immigration New Zealand. Issue Date: 28 April 2025

subject to income tax in both New Zealand and their other country of tax residence, resulting in double taxation in some cases.

Visit of 183 days or less

8. For the vast majority of remote workers and digital nomads visiting New Zealand, they are likely to already have an established home and family ties in another country (that is, they would be tax resident in that country), and in many cases their home country would have a Double Tax Agreement (DTA) with New Zealand[3].

9. Given the visitor's established presence in the other country, a DTA's tax residence tiebreaker rule would likely allocate their tax residence to their home country. For these visitors, if they are in New Zealand for 183 days or less, the relevant DTA rules mean it's unlikely the remote worker or digital nomad would have New Zealand tax obligations on their income earned as an employee of a foreign employer or overseas client.

Visit of 92 days or less

10. There is an existing income tax exemption for visitors[4] that are visiting New Zealand for 92 days or less, provided the income is taxable in the other country, and that country has a comparable tax system. This would apply regardless of whether DTA relief applies to the visitor's circumstances. This means that if the visiting remote worker or digital nomad is tax resident in a country that does not have a DTA with New Zealand, then their personal or professional services income, where that income is sourced in New Zealand, could well be subject to New Zealand income tax if their visit is longer than 92 days.

11. If the remote worker does not qualify for the exemption (including if they stay beyond 92 days), then they may be subject to income tax. For employees working for foreign employers, the employer may have PAYE obligations for the income paid to the employee, or the employee may be required to obtain an IRD number and register with Inland Revenue as an IR 56 taxpayer (including being required to self-return PAYE on their income).

Overall

12. It is anticipated that income earned by a remote worker that is visiting New Zealand on a 3-month visa would almost certainly not be subject to New Zealand income tax. If on a 6-month visa, then their income generally would not be subject to tax if a DTA applied to the person. If no DTA applied, then the income of a remote worker or digital nomad present in New Zealand for more than 3 months most likely would be subject to New Zealand tax. Beyond 183 days, it's very likely the visitor would have New Zealand income tax obligations as a New Zealand tax resident, and these obligations would apply retrospectively from the first day they arrived in New Zealand.

Transitional residence

13. If the visitor does become a New Zealand tax resident, they may be eligible for an income tax exemption for certain foreign sourced income. Though this exemption would not exclude income from personal or professional services income earned from a foreign employer or client, the exemption would effectively treat the remote worker or digital nomad as non-resident for their foreign sourced income. The purpose of the exemption is to provide a one-off temporary exemption (for up to four years) for new migrants and returning

[3] New Zealand currently has a DTA with 41 countries, many which remote workers are likely to be resident in, including Australia, United Kingdom, Canada and Germany.

[4] Does not apply to income earned by a visiting public entertainer. Income from this activity normally remains subject to New Zealand income tax.

New Zealanders – meaning the visitor would become ineligible if they were to return to New Zealand, including if they were permanently migrating to New Zealand in the future.

Other income tax issues

14. Along with the income tax obligations for the visitor, and potentially PAYE obligations for a foreign employer, there are several other complex tax issues that a visiting remote worker may need to resolve. These include:

    - Permanent establishment: Whether the remote worker creates a permanent establishment for their foreign employer (in which case the foreign employer would become liable for income tax in New Zealand on a portion of its business income). While the risk of this is small, the tax consequences (and compliance costs) are significant enough that many multinational employers have employment policies limiting the time their employees may work remotely in a foreign country.

    - Tax residence of a foreign company: a visitor[5], in their capacity as a company director, making strategic decisions regarding their company may result in the company becoming New Zealand tax resident. New Zealand tax residence would impose New Zealand tax obligations on all of the company's income.

    - Tax residence of a trust: if a visitor in New Zealand is a settlor or trustee of a trust established overseas, then their personal tax residence may result in the income from assets held on trust become subject to New Zealand income tax.

Goods and Services Tax (GST)

15. Visitors can also incur GST obligations. Under current law, visitors undertaking remote work (other than employees) must register for GST if they expect to make sales (including contracting services) exceeding $60,000 within any period of up to 12 months New Zealand. This means they need to track their sales and expenditure and include this in GST returns they provide to Inland Revenue. They also need to deregister from GST when they depart New Zealand. These GST compliance costs are for no revenue benefit to the Government because all of a remote worker's supplies will be zero-rated (GST applies at 0%) as exports.

16. Purchases of other goods and services used to make those supplies will be deductible for GST purposes. Apportionment may be required for non-taxable (i.e. non-business) use.

17. This creates compliance costs for digital nomads and administrative costs for Inland Revenue. These costs do not exist for digital nomads who are employees because employment is not a taxable activity and therefore employees are not liable or eligible for GST registration.

How is the status quo expected to develop?

18. Currently, for the vast majority of visitors working remotely in New Zealand for more than 183 days (and some that are visiting for more than 92 days), or where a visitor is acting as a company director, or a settlor or trustee of a trust, will need to navigate through the potential tax implications described above. This imposes significant compliance costs on such visitors to ensure they are tax compliant with their New Zealand tax obligations.

19. Other related persons outside New Zealand (such as non-resident employers and service recipients) would also need to ensure that they are tax compliant with their New Zealand tax obligations. As noted above, due to these potential risks, some foreign employers have

[5] The tax residence of a director is not relevant in determining whether the director control test has been satisfied.

reportedly developed employment policies preventing employees remaining in a foreign country beyond a certain time period, to limit the employer's own tax obligations in that foreign country.[6]

20. As a result, the aim of encouraging longer stays by digital nomads in New Zealand that is sought to be achieved by changes to New Zealand's visitor visa immigration rules to enable visitor visa holders to work remotely while visiting New Zealand (a likely visa option for digital nomads) may be frustrated to some degree. The potential tax consequences for the visitor means they may not be able to remain in New Zealand for their full visa period without potentially incurring New Zealand income tax and GST obligations, and consequently significant compliance costs.

21. Given the person is visiting New Zealand for less than 9 months and potentially only undertaking incidental work such as checking their emails or answering phone calls, it is anticipated there is low voluntary tax compliance. It is also likely those who are less concerned about compliance will depart New Zealand without complying with their New Zealand tax obligations. Without change, it is likely this practice is expected to continue since more visitors are likely to be undertaking remote work while in New Zealand s 18(c)(i)

What is the policy problem or opportunity?

22. New Zealand's tax rules are strict and largely meant to apply to persons either visiting New Zealand as a full-time tourist, working for 3 months or less, or migrating to New Zealand for an extended period of time.

23. New Zealand's current tax settings are creating tax risk and uncertainty and consequently may be discouraging digital nomads and other visitors from staying in New Zealand for the full length of their visa. While the problem existed prior to the immigration changes, the recent immigration changes will make this problem much more significant.[7]

24. While some forms of tax relief may already be available (under the DTA or the transitional residence rule), these were designed for different purposes and do not easily fit with a visitor undertaking remote work while in New Zealand, and therefore, the problem remains unresolved.

25. There is an opportunity to modernise these rules to minimise compliance costs and provide greater certainty for visitors and foreign employers, while maintaining the integrity of the underlying international tax rules. This, in turn, will boost New Zealand's attractiveness as a travel destination and will further the aims of the recent digital nomad visa policy changes.

What objectives are sought in relation to the policy problem?

26. The overall objective is to address tax issues that may be discouraging digital nomads, remote workers and other visitors from remaining in New Zealand. The tax rules should be simplified to ensure they are easy to understand and apply.

27. The objective of the GST change is to provide digital nomads with the ability to remove the compliance costs associated with GST registration.

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[6] *Tax update* [2025] NZLJ 38

[7] Up until recently, the travel visa (visitor's visa) a person would ordinarily use to obtain lawful entry into New Zealand meant they could not undertake remote work for a foreign employer or client. Digital nomads were thus excluded from working remotely under their usual travel visa.

What consultation has been undertaken?

28. No public consultation has been undertaken on this proposal.
29. In recent months, we have undertaken limited, high-level targeted consultation with selected stakeholders on the income tax issues and potential solutions, including members of the Corporate Taxpayers Group, Chartered Accountants Australia and New Zealand, and the New Zealand Law Society. Several members were supportive of the proposed changes. No significant concerns were raised by these stakeholders.
30. During consultation, stakeholders noted that officials should consider the GST implications, which lead to the proposal being updated to include GST.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

31. The criteria used to assess the options are:
    - **Compliance and administration costs** – The tax system should be as simple and impose the lowest costs possible on taxpayers to comply with the rules, and lowest cost possible for Inland Revenue to administer, without compromising the integrity of the tax system.
    - **Efficiency** – To the extent possible, taxes should be efficient and minimise the negative impact to economic growth and distortions in economic behaviour. This includes imposing unreasonable costs on individuals and firms.
    - **Coherence** – ensuring that individual tax rules make sense in the context of the entire tax system. While a particular measure may seem appropriate when viewed in isolation, the measure may not be desirable given the tax system as a whole.
    - **Revenue integrity** – The tax system should be sustainable over time and minimising opportunities for tax avoidance and arbitrage.
    - **Fiscal impact** – ensuring that the tax reforms are affordable given fiscal constraints and ensure the tax base remains intact.
32. Compliance costs and efficiency are the criteria that are most directly linked to the policy objective of addressing tax issues that may be impacting digital nomads and other visitors to New Zealand. These criteria need to be balanced against coherence and revenue integrity to ensure that the rules align with the overall tax system (including the integrity of the underlying international tax rules and existing DTA agreements) and do not create an opportunity for tax avoidance. Proposals were also considered through other criteria including ongoing administrative costs for Inland Revenue and the fiscal impact of any potential changes.

What scope will options be considered within?

33. Options will be considered using the criteria above, which were developed through the problem definition and the objectives. The scope of options has been limited to those that address the policy problem. The options considered should also be coherent with the existing immigration rules and consistent with commonly accepted principles of international taxation and DTAs. The options are also limited to those that are compatible with New Zealand's tax residence rules and DTAs. Where possible, an option should have regard to existing behaviours and practices of visitors, remote workers and digital nomads visiting New Zealand. While the status quo (option 1) is not a viable option it has been included for comparison purposes.

34. Broader changes to the different taxation regimes that do not specifically address the policy problem have not been considered, such as changing the 183-day residency test or removing mandatory GST registration requirements for all businesses.

35. The scope of feasible options has not been limited by the Minister or recent tax policy decisions. It also has not been limited by stakeholder engagement.

36. Non-regulatory options would not address the GST issue, because GST registration is driven by regulatory requirements set out in the Goods and Services Tax Act 1985.

37. In the context of GST, officials are aware that other countries with value-added tax (VAT) systems such as GST also have exceptions to the general registration requirements for suppliers who make predominantly (or exclusively) zero-rated supplies in some circumstances. Examples include Singapore and the United Kingdom. These exceptions do not apply specifically for digital nomads, but digital nomads who only provide exported services would benefit from them.

What options are being considered?

Option One – Status quo

38. Maintaining the current policy settings. Section 1 describes the existing issues created under the status quo. Visitors intending to work remotely during a stay of longer than 92 days will need to consider the tax implications, not only for themselves, but also potentially for their employers or clients, and likely incur compliance costs in doing so. The current settings will also likely result in distortions in economic behaviour as the various tax issues are likely deterring digital nomads from staying longer in New Zealand.

Option Two – Targeted tax exemptions for non-resident visitors

39. This option would provide for several tax exemptions to enable qualifying persons (known as a "non-resident visitor") to remain in New Zealand for longer, potentially while on a visitor visa, without triggering New Zealand tax obligations for the visitor, their associated entities or their foreign employer. The proposed tax exemptions are consistent with the existing policy settings of exempting tax on certain income earned by short-term visitors while they are physically in New Zealand (such as the 92-day rule).

40. The rules would be buttressed, where appropriate, with integrity rules to reduce the risk a person may seek to use the proposed exemptions to earn income that is not subject to income tax anywhere.

41. A non-resident visitor would be a natural person who is lawfully in New Zealand under New Zealand's immigration rules. In addition, the person:

    - must not work for a New Zealand employer or client (freelancer),
    - must not offer goods or services in New Zealand in exchange for gain or reward from either New Zealand businesses or persons in New Zealand, and
    - must not need to be physically present in New Zealand to perform their services.

42. There will be integrity rules such as requiring the person to be tax resident in another country with a comparable income tax regime to New Zealand, to limit the risk of the person using the proposed exemptions to avoid tax altogether.

43. For qualifying persons, various tax exemptions would then apply to their income, their foreign employer and associated entities, including:

    - Services income: an exemption for personal or professional services income derived by a non-resident visitor from a foreign employer or client, including an exemption for any

withholding or other employment related taxes in respect of that services income. This exemption would only apply to income that is taxable in a country with similar income tax regime to New Zealand.

- Permanent establishment: an exception so that the presence of a non-resident visitor in New Zealand does not result in their non-resident employer or services recipient having any of their business income subject to New Zealand tax.
- Individual's tax residence: allow non-resident visitors to be physically present in New Zealand for up to 9 months in an 18-month period without becoming New Zealand tax resident (including for the purpose of determining the tax treatment of trust income and distributions).
- Residence of companies: amend the director control test, to ensure any actions by a non-resident visitor would not be taken into account in applying the director control test when determining the tax residence of a foreign company.
- GST: provide an option for non-resident visitors to ignore the value of supplies made to their non-resident clients for the purpose of determining whether they have or will breach the GST registration threshold.

44. Regardless of the proposed rules above, the non-resident visitor would remain liable for tax as a non-resident on any New Zealand sourced income that is derived from activities other than services[8].

45. If the person stays on in New Zealand, perhaps by transferring to another visa, then the time spent in New Zealand would be taken into account of in determining whether they are New Zealand tax resident under the existing tax residence tests, including the 183 day-test. Any resulting New Zealand tax residence would commence prospectively, once they transferred on to the new visa. However, if the person has over-stayed their visa period, then the existing rules would apply retrospectively, from the first day the person arrived in New Zealand. This approach is similar to the existing 183-day presence test where exceeding the time period means the person is subject to New Zealand tax from the first day of their arrival.

46. The fiscal impact of this option is estimated to be a small cost. This is because while there is limited data on the tax compliance of visitors undertaking remote work while in New Zealand, it is anticipated that voluntary compliance is low. Consequently, aligning the law with current behaviour and practice means the likely fiscal impact is small and unquantifiable. Consequently, we have estimated the cost at $200,000 per annum in accordance with our standard policy for such items.

Option 3 – Extend existing tax concessions to include digital nomad workers

47. This option would involve amending existing tax rules to apply to visitors such as digital nomads undertaking remote work while physically in New Zealand and would introduce an exclusion from GST registration for visitors undertaking remote work.

92-day rule for personal and professional services income

48. The existing 92-day income tax exemption rule would be extended to include visitors that are in New Zealand for up to 9 months (in a given 18-month period) earning income by undertaking personal or professional services locally or as remote work for a foreign employer or client while physically in New Zealand.

[8] For example, non-resident withholding tax on any interest paid to the non-resident visitor from New Zealand.

49. By extending this rule, this means that a person's income would be exempt for longer than the 183-day tax residence test; potentially undermining the effectiveness of the 183-day test. While the expanded exemption would retain existing integrity rules (such as the non-resident being required to return income in a jurisdiction with a similar income tax imposed in New Zealand), a wider range of people than just digital nomads may unintentionally be eligible for the expanded income tax exemption. It would for example include all income from personal services in New Zealand performed for a non-resident, including services that need to be performed locally. Accordingly, the rule would not be targeted at digital nomads and would represent a more significant departure from the current settings.

Transitional residence rule

50. The existing transitional residence rule would be extended to include visitors that are visiting New Zealand for up to 9 months, in a given 18-month period. This option would involve amending the eligibility criteria to allow taxpayers to receive a four-year exemption every time they visit New Zealand and undertake remote work - up to 9 months (in a given 18-month period).

51. Allowing the transitional residence rule to effectively become 'recurring', instead of a one-off to ease the tax impact of migrants to New Zealand, would be a significant change to the purpose of the transitional residence rule.

52. While this option would mean the main source of income earned by a qualifying person would be exempt from New Zealand income tax, and the transitional residence rule means the visitor's foreign source passive income is not subject to New Zealand income tax, the other tax issues identified such as when a permanent establishment arises and whether the visitor is making decisions for an associated company (under the director control test) or trust would remain.

53. Depending on the visitor's circumstances, this option may still result in unreasonable compliance costs as the option may not prevent the visitor from being required to file a New Zealand income tax return.

Excluding visitors from registering for GST

54. This option would essentially prevent all visitors undertaking remote work (digital nomads) from being able to register for GST. This would create an undesirable distortion, as digital nomads provide services which, according to New Zealand's broad-based GST system, should be within its scope. Denying GST registration would prevent affected digital nomads from being able to deduct GST on their New Zealand expenditure.

Option 4 – Publish guidance on the existing rules to support voluntary compliance (non-regulatory option)

55. This option would involve Inland Revenue publishing guidance for remote workers and digital nomads to support their understanding of the existing tax rules and help them comply with their New Zealand tax obligations.

56. This option would likely require increased administrative resources to prepare and publish tax guidance material. This effectiveness of this guidance may be limited as Inland Revenue has very limited visibility of all the tax issues a given visitor may be encountering while undertaking remote work for foreign employers or clients. Visitors may not become aware of the tax guidance or may choose to ignore it. Therefore, we would expect tax non-compliance to continue. Visitors would be subject to higher compliance costs to comply with their New Zealand tax obligations.

57. While this option may increase tax compliance and fiscal revenue, the size and timing are uncertain. It is not clear if this option would result in a significant net increase in tax revenue. In addition, this option would not address the main policy problem of digital nomads being disincentivised to stay in New Zealand for longer due to tax consequences.

How do the options compare to the status quo?

	Option One – *Status quo*	Option Two (preferred) – Targeted tax exemptions for non-resident visitors	Option Three – Extend existing tax concessions to include digital nomads	Option Four – Publish guidance on the existing rules to support voluntary compliance
Compliance costs and administration costs	0	++ Enables non-resident visitors to avoid compliance costs and provides greater certainty	+ Non-resident visitors avoid some compliance costs however some tax uncertainty will remain	- Likely higher compliance costs for taxpayers, and require increase in administrative costs
Efficiency	0	++ Removes tax impediments	+ Some tax impediments remain	- Tax impediments remain, but enforced more effectively
Coherence	0	0 Maintains integrity of New Zealand tax system and international tax rules	- - Likely reduction in integrity of New Zealand tax system and misalignment with certain international tax rules	0 Maintains integrity of New Zealand tax system and international tax rules, however existing rules remain inadequate
Revenue integrity	0	0 Legitimizes current behaviour without increasing the opportunity for tax avoidance	- Likely result in increased opportunity for tax avoidance	+ Likely result in small to minor positive impact due to increased tax compliance
Fiscal impact	0	0 Small cost as compliance under status quo is likely to be very low, revenue impact is likely to be minimal	- Likely result in increased fiscal cost due to increased opportunity for tax avoidance	+ Likely to provide a small increase in fiscal revenue, amounts and timing is unknown
Overall assessment	0	++	-	+

Key for qualitative judgements:	
++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
- -	much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

58. The status quo (option 1) will not achieve the policy objective because the existing policy settings will continue to be misaligned with commercial practice and behaviour, likely resulting in low voluntary tax compliance as the visitor will depart New Zealand rather than comply with their New Zealand tax obligations.

59. Extending the existing the existing tax concessions (option 3) could have potentially negative consequences and provide gaming opportunities for taxpayers to avoid New Zealand income tax over the long term. This option involves measures that go further than is necessary to address some issues with the current approach (such as extending the current 92-day test for all visitors), while also leaving other tax issues unaddressed. Accordingly, it is poorly targeted at the policy problem. This option could also undermine the effectiveness of existing tax residence rules, such as the 183-day test, as more visitors would be exempt from income tax for up to 9 months.

60. Publishing guidance to support voluntary compliance (option 4) would likely have limited effectiveness as visitors may not become aware of, or could choose to ignore the guidance. Compliant taxpayers may choose to depart New Zealand sooner (before 183 or 92 days), potentially undermining the objective of enabling digital nomads to remain in New Zealand for up to 9 months on a visitor visa. Like option 1, this option also would not address the policy problem of the current rules disincentivising use of the new visitor's visa rules. The size and timing of any benefits are uncertain.

61. The preferred option of both the Minister and officials are targeted exemptions (option 2). This option is likely to best address the problem. This option aligns the existing law with current behaviour and practice of remote workers such as digital nomads visiting New Zealand.

62. The targeted exemptions option broadly meets the policy objective. This option is also likely to deliver the highest net benefits. It scores better on the two most important criteria (compliance costs and efficiency). Since it applies narrowly to qualifying individuals, this option remains coherent with New Zealand tax system and the international tax rules. The fiscal costs are also expected to be minimal given that it's anticipated voluntary compliance under the status quo is likely to be very low.

63. For GST, allowing digital nomads to choose to ignore the supplies they make to their non-resident clients for the purpose of determining whether they have or will exceed the GST registration threshold best addresses the problem. It means digital nomads who choose the option will avoid the compliance costs associated with GST registration. It achieves this

outcome without any material impact on digital nomads, Inland Revenue, or the broader government.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

64. Yes, the Minister's preferred option is the same as officials' preferred option (option 2).

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
Individuals qualified to be non-resident visitors who remain in New Zealand for more than 92 days in any 12-month period (or 183 days where a DTA applies). Digital nomads who make more than $60,000 of supplies to non-resident clients and who are not employees.	No costs have been identified.	n/a	n/a
Inland Revenue	One-off costs of updating the guidance material.	Low	High
Crown	The proposed changes effectively reduce the number of people who are subject to New Zealand tax. We estimate that voluntary compliance under the status quo is likely to be very low. The likelihood for Inland Revenue to effectively enforce compliance is also very low.	Estimated to be $200,000 per year of reduced income tax from the 2026/27 year onwards.	Low – due to limited data available on visitors undertaking remote work in New Zealand.
Total monetised costs		Estimated to be $200,000 per year	Low
Non-monetised costs		Low	High

Additional benefits of the preferred option compared to taking no action			
Individuals qualified to be non-resident visitors who remain in New Zealand more than 92 days in any 12-month period (or 183 days where a DTA applies). Digital nomads who make more than $60,000 of supplies to non-resident clients and who are not employees.	The main benefit is the ability to avoid compliance costs for having to consider and comply with the various tax implications. Monetary benefit is likely to be very small (if any) since the income that is exempted from New Zealand tax is likely still taxable in their home country. They would be able to choose not to register for GST even if they make more than $60,000 of sales to non-residents in a 12-month period. This means they avoid the compliance costs associated with GST registration.	High	Medium
Inland Revenue	There will be minor administrative benefits for Inland Revenue as a regulator. These benefits arise because Inland Revenue would not need to consider or allocate resources to enforce compliance. To the extent that digital nomads decide not to register for GST, there will be very minor administrative benefits for Inland Revenue as a regulator. These benefits arise because Inland Revenue would not need to consider or allocate resources to reviewing of GST returns, as there would be no requirement for digital nomads to provide them.	Low	Low
Crown	The proposed changes are expected to address tax issues for visitors remaining in New Zealand longer than 92 days.	Low	Low
Total monetised benefits		n/a	n/a
Non-monetised benefits		High	Medium

65. The main benefit of the proposed changes is that it is expected to address tax issues that may otherwise be discouraging visitors from staying in New Zealand for longer, while on a valid immigration visa. The proposed changes will also substantially reduce compliance costs and tax uncertainty for remote workers and digital nomads visiting New Zealand. As well, the proposed changes would support the tourism industry.

66. The proposed changes apply narrowly to individuals who qualify to be non-resident visitors (as defined above). The proposed changes are limited to visitors undertaking work for foreign employers or clients, that does not involve providing goods or services to businesses or persons in New Zealand, and the work does not require or rely on the individual being physically present in New Zealand. Therefore, the proposed changes should not have any significant impact on competition for labour for New Zealand businesses.

67. The proposed changes would align with existing behaviour and practices of visitors and digital nomads, including visitor visa holders.

Limitations and constraints

68. The cost-benefit analysis is limited primarily by data limitations. Inland Revenue and MBIE do not collect information on visitor visa holders that are engaging in remote work while in New Zealand (which was a breach of the visa conditions prior to the change in the requirements).

69. s 18(c)(i) . Up until recently, under immigration rules individuals on visitor visa were not allowed to undertake remote work. Furthermore, it s 18(c)(i) and the amount of tax involved is assumed to be low, given a digital nomad has a short term stay in New Zealand and their primary place of abode is outside New Zealand.

70. Due to data limitations, it is assumed that tax voluntary compliance is likely to be low. This assumption is informed by s 9(2)(g)(i)

71. While the proposed changes mean qualifying persons will very likely not be required to file an income tax return in New Zealand, there is a risk that a person who outstays the physical presence period will leave New Zealand without complying with their New Zealand tax obligations. s 18(c)(i)

72. The analysis is also limited by time constraints. The project was commissioned by the Minister in February 2025, with changes to be included in the Annual Rates 2025-26 tax Bill (expected to be introduced in August 2025). Feedback from targeted consultation has supported the understanding of the problem and policy development of the targeted exemptions and GST (preferred option).

Section 3: Delivering an option

How will the proposal be implemented?

73. The proposed changes will require amendments to the Income Tax Act 2007 and the Goods and Services Tax Act 1985, which will be made through the Annual Rates 2025-26 tax Bill. The legislative changes will take effect from 1 April 2026.

74. Inland Revenue will be responsible for the implementation and administration of the new rules. Inland Revenue will issue guidance in the Tax Information Bulletin and Inland Revenue website to support understanding of the new rules and taxpayer compliance. Internal guidance will also be issued to support operational departments. Inland Revenue will also work with MBIE to ensure that the information is communicated on Immigration New Zealand's website.

75. The proposed changes will not require any significant systems changes.

How will the proposal be monitored, evaluated, and reviewed?

76. Inland Revenue would monitor the effectiveness of the proposed reforms on an ongoing basis, including regular engagement with tax stakeholders to gather feedback on the implementation of the rules and whether further changes may need to be considered.

77. Inland Revenue will also engage with MBIE immigration officials to ensure the proposed tax rules have not resulted in any unexpected behaviour changes by persons visiting New Zealand.