



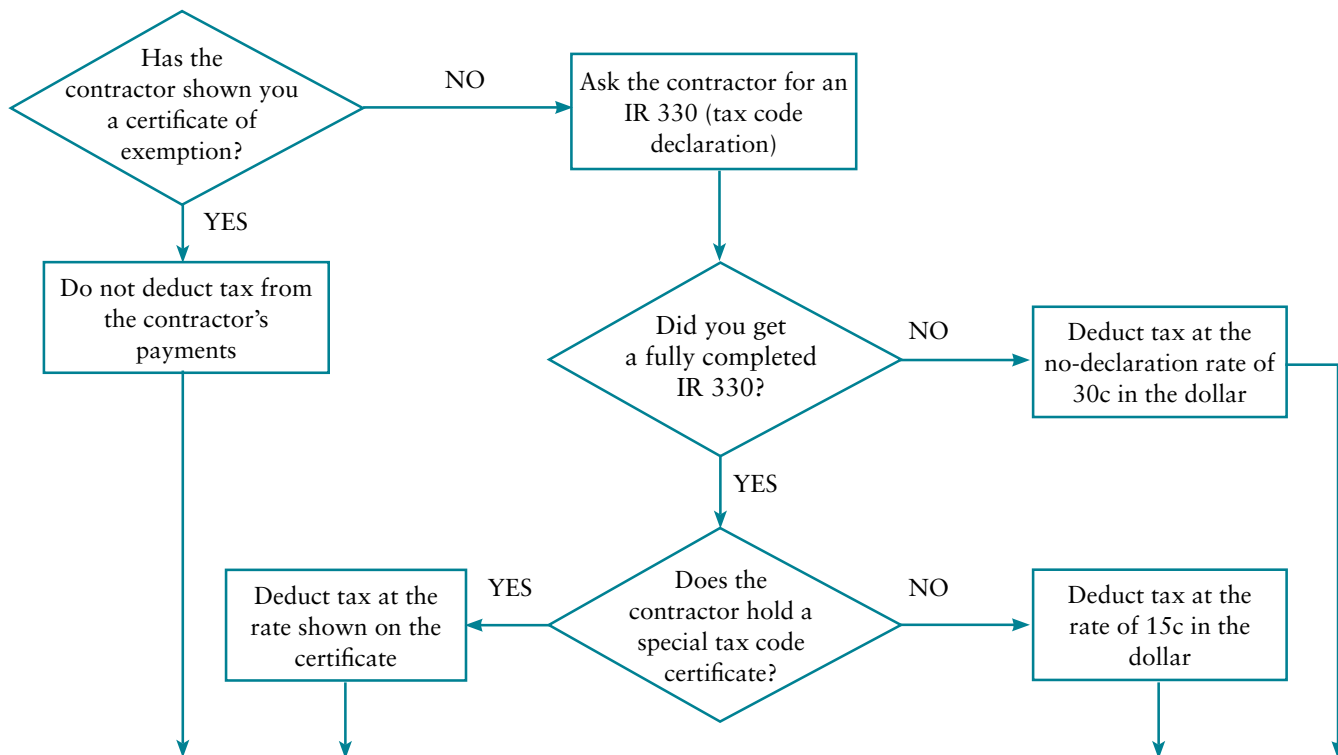
WHAT TO DO WHEN YOU HIRE A CONTRACTOR

A tax guide for the fruit and wine growing industries

March 2006

From 1 April 2006, if you directly hire a contractor for certain pruning, thinning, picking, or packing activities, you need to deduct withholding tax from payments to the contractor at a rate of 15 cents in the dollar, unless the contractor has a certificate of exemption or a special tax code certificate.

The rules apply to all types of contractor—individuals, partnerships, companies, and trusts. The flowchart below summarises your tax responsibilities:



Enter the details on your *Employer monthly schedule (IR 348)*:

- If the contractor has a certificate of exemption, record the contractor's name, start date, and IRD number.
- If the contractor doesn't have a certificate of exemption, record the contractor's name, start date, IRD number, the amount of the gross payment and the withholding tax deducted. You should also include the gross withholding payment details in the "Earnings and/or withholding payments not liable for ACC earners' levy" column in your employer monthly schedule.

For more information, please go to Inland Revenue's website at www.ird.govt.nz

