

## Welcome to Payroll News

In this issue we tell you about our new look website, payments made to school trustees, and employers' responsibilities with special tax codes. Please pass this newsletter on to the person who deals with the payroll in your business.

## Visit our "new-look" website

Our website at [www.ird.govt.nz](http://www.ird.govt.nz) contains information about current tax issues affecting you. Right now we're making changes to our website to improve the layout and content and make navigation easier. This is the first step in our progressive approach to make the most of internet-based technology.

So, if you haven't visited our site recently, check out what's new. We've added simplified information on key matters for employers, answers to frequently asked questions and regular updates on topical tax matters. Our publications are still on the site and you can download these on the spot.

Visiting our website may save you a telephone call.

## School trustees' payments – income tax exemption

From 1 April 2001, part of any honoraria you pay school trustees for attending board meetings will be considered reimbursement of expenses and will be exempt from income tax, as follows:

- Chairperson: The first \$75 per board meeting will be exempt, up to a maximum of \$825 a year (11 meetings).
- Other board members: The first \$55 per board meeting will be exempt, up to a maximum of \$605 a year (11 meetings).

### Example

The chairperson receives honoraria of \$75 a meeting. No additional payment is made in respect of any expenditure incurred, for example travel. The payer does not have to deduct withholding tax because the total payment does not exceed \$75.

However, if any board member receives reimbursement of expenses on top of the additional honoraria, the exempt amount will be reduced by the amount of the reimbursement received.

### Example

The chairperson receives a total payment of \$95, made up of an honorarium of \$70 and reimbursement of travel expenses of \$25. The amount exempt under the determination of \$75 is reduced by the amount of the reimbursement of travel expenses (\$25). The exempt amount is \$50 so the payer must deduct withholding tax from \$20, which is the honorarium of \$70 less the exempt amount of \$50.

## Payer's obligation to deduct withholding tax

The payer doesn't have to deduct withholding tax on the first \$55 (or \$75) of payment per meeting, so in most cases there will be no obligation for them. However, if the payment exceeds the exemption of \$55 (or \$75) this amount must have withholding tax deducted from it and these amounts are to be shown on the payer's employer monthly schedule.

### Example

The chairperson receives an honorarium payment of \$108. The payer must show on their schedule, a gross amount of \$33 (the difference between the honorarium of \$108 and the \$75 exemption allowed), and withholding tax of \$10 (withholding tax rate of 33% on the gross amount).

## Employers' responsibilities with Special tax code or deduction rate certificate (IR 23)

This is a reminder of your obligations when employees give you a *Special tax code or deduction rate certificate (IR 23)*.

Employees who are granted an IR 23 certificate will need to give you this form. If you do not see the certificate, you must deduct the normal rate of tax and other deductions.

If the employee gives you the certificate, you will need to check it is valid by making sure that:

- the person named on it is the person working for you
- it is properly authorised by Inland Revenue
- it is for the right tax year
- it shows the rate for making deductions
- the employee has signed it.

### Note

The employee is still required to complete a *Tax code declaration (IR 330)* and circle the "STC" tax code.

The certificate will be addressed to either:

- one employer, or
- “to whom it may concern”, if the person is working for more than one employer.

It also shows the period for which the certificate is valid. When that period ends, the employee must either get a new certificate or complete a *Tax code declaration (IR 330)*.

The tax codes on the *Employer monthly schedule (IR 348)* should be as follows:

- If the IR 23 shows a special rate for PAYE deductions, show “STC” in the tax code box on your schedule.
- If the IR 23 shows a special deduction rate for student loans, use the tax code shown on the IR 23 on your schedule.
- If the IR 23 shows a special rate for PAYE deductions and student loans, show “STC” in the tax code box on your schedule.
- If the IR 23 shows a special rate for withholding tax deductions, show “WT” on your schedule.

## Updated publications

We have recently updated a number of our publications, which may be of interest to employers. You can view these publications on our website at: [www.ird.govt.nz](http://www.ird.govt.nz) or order copies by phoning INFOexpress on 0800 257 773.

### Employer’s guide (IR 335)

Explains the tax obligations of anyone who is employing staff and how to meet those obligations.

### Inland Revenue audits (IR 297)

Explains how we choose who to audit, what is involved, how we will work with you, and what happens once an audit is completed.



Bryre Patchell  
National Manager, BusinessDirect

### FBT filers’ prescribed interest rate for loans

For the quarter beginning 1 July 2001 the prescribed rate of interest for calculating the fringe benefit value of low-interest loans to employees is 7.69%.

This is a decrease from the previous quarter’s rate of 7.95%. If there are any changes to this rate we will let you know in next month’s edition of *Payroll News*.