

PAYROLL GIVING – Frequently Asked Questions

	QUESTION	ANSWER
Employers - flexibility and responsibilities		
1	<p>If an employer decides to offer payroll giving, do they have to offer all options to all employees</p> <p>i.e. can we offer only payroll giving for regular payments and not one off donations?</p>	<p>It is up to each individual employer to establish a scheme that works for them and their employees.</p> <p>An employer can, if they wish, set up their scheme so their employees must, if taking part, make donations every pay period.</p>
2	<p>Is there a minimum donation level set below which it's just not worth the effort i.e. under \$5?? Can we set those types of limits as sending a cheque every month for \$3 to a particular charity would be a burden.</p>	<p>It is up to each individual employer to establish a scheme that works for them and their employees.</p> <p>An employer can, if they wish, set a minimum donation amount.</p>
3	<p>Is there any limit to the number of approved donee organisations on the list?</p> <p>Do we have to offer employees an unlimited choice?</p>	<p>There is no limit set for the potential number of listed approved donee organisations.</p> <p>Each employer is free, if they wish, to limit the number of approved donee organisations their scheme will pass payroll donations to.</p>
4	<p>The information employees have to give employers includes 'the address or bank account details of the donee organisation' – does this mean we will have to post cheques each month?</p>	<p>The information required is to be sufficient to send the donation to the donee. This could include either address or bank account details.</p> <p>Employers may require employees to provide verified bank account details for an approved donee organisation, to fit with their preferred payment method, if they wish.</p>
5	<p>Is the employer responsible for making sure the donee information provided by the employee is correct?</p>	<p>If the information provided by the employee is later discovered to be incorrect, any liability will be with the employee.</p> <p>However, to help avoid later adjustments, you may wish to check the details provided by the employee before processing the donation.</p>

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6	My employee has asked me to make a donation to a donee not on the approved donee list. What should I do?	<p>You can't give the employee tax credits for payroll donations for the requested donation.</p> <p>You can either not deduct the donation or pass the donation on as with any other requested deduction and not give the tax credit for payroll donation. Whatever you decide, make sure you tell the employee.</p>
7	After I've deducted the donation and before I pass it to the donee organisation, who does the donation belong to?	<p>You hold the donation in trust for the employee who has requested it.</p> <p>If for some reason you can't pass the donation to the donee in time, the employee's tax credit for payroll donations will need to be adjusted.</p>
8	How do we adjust tax credits for payroll donations?	<p>This can be done by Inland Revenue staff. Write to us or call us on 0800 377 772 with the following information:</p> <ul style="list-style-type: none"> • The return period affected • Details of the adjustment required, including the relevant employee IRD numbers and the correct tax credit for payroll donations amounts <p>Please don't use the paper <i>Employer monthly schedule amendments (ir344)</i>.</p>
Payroll Intermediaries		
9	What responsibilities does a payroll intermediary have?	A payroll intermediary is responsible for subtracting the amount of the tax credit for payroll donations from the amount of tax for the employee on the EMS.
10	Who is responsible for giving the PI the payroll giving information required?	<p>The employee is still responsible for giving their employer sufficient details for the donation to be made.</p> <p>As with any PAYE related information the employer must pass on all these details to the payroll intermediary.</p>

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11	Who is responsible for passing on payroll giving donations?	The payroll intermediary is responsible for transferring the donation to the donee organisation.
12	Is the payroll intermediary able to set payroll giving rules for the employers attached to them to follow?	<p>The payroll intermediary will need to discuss this with their client.</p> <p>Payroll giving provides the opportunity for employers and employees to engage with their communities. Any restrictions may limit this opportunity and not best meet their needs.</p>
Responsibilities of Employees		
13	<p>The employee must check that their donee organisation is on the Inland Revenue approved list.</p> <p>If we (payroll) find out later that they had not done so and the organisation is not on the list – what do we do? Does the employer get hit with penalties, etc?</p>	<p>If a donation is made and the recipient is later discovered to not be on the approved donee list, the employer must inform Inland Revenue and so the tax credits for the employee can be adjusted.</p> <p>There are no penalties imposed on the employer.</p> <p>The employee will have the resulting PAYE debt as this was their responsibility.</p>
14	My employee hasn't given me enough information to pass on the donation. What should I do?	<p>Ask the employee for the missing details. It's best to do this before making the deduction.</p> <p>If they don't provide you with the information in time and you have already deducted the donation from their salary or wage, their tax credit for payroll donations will need to be adjusted.</p>

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Limits on employees		
15	Given there are limits relating to Child Support, around how much in total we (payroll) can by law deduct from an employees wages, is payroll giving exempt?	<p>Payroll giving is optional and is completely at the employees' discretion.</p> <p>As long as all legal obligations for the pay period are met the individual employee may choose to make a voluntary donation just the same way the can choose to spend their net pay before payroll giving.</p> <p>This deduction in discretionary like social club fees, union fees, etc.</p>
16	What happens to an employee who has nil PAYE to pay, due to them having a current Special Tax Certificate. Your information shows the maximum donation is based only on the gross less other legal prescribed deductions.	<p>Individual tax credits for payroll donations are limited to the tax element of PAYE for that pay period for each employee.</p> <p>If an employee does not have any PAYE to pay for a particular pay period they cannot receive any tax credits for payroll donations.</p>
17	The payroll giving specification does not allow the PAYE to ever be negative. Can we refund more PAYE than any employee has paid in a pay period?	No employee can get a greater refund than the tax element of their PAYE paid in that pay period.
18	Can all employees take part in payroll giving?	<p>Employees on salary or wages can take part in payroll giving.</p> <p>Independent contractors who appear on your EMS with the tax code WT for schedular payments are not able to take part.</p>
Calculations.....		
19	Why the complicated calculation around the timing of the payment to the charity – could these not have been simplified?	<p>The basis for the payment timing is in the legislation. We have tried to simplify the wording and provide examples to illustrate the timing.</p> <p>This information is displayed on our employer's payroll giving webpage, http://www.ird.govt.nz/payroll-employers/returns-payments/pay-give-emp/payroll-giving-employers.html?id=vialanding with examples for each type of filer.</p>

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20	How do I work out the tax credit for a payroll donation?	<p>The tax credit is worked out as 33 ¹/₃ cents for each dollar donated. This is then limited to the amount of tax for that pay period.</p> <p>Example calculations are available on our employer's payroll giving web page http://www.ird.govt.nz/payroll-employers/returns-payments/pay-give-emp/payroll-giving-employers.html?id=vialanding.</p>
21	Will the tax credit for payroll donation be the same every pay period for an employee?	<p>No. This will depend on how much the employee donations and their pay that pay period. If the employee changes their donation or their pay varies this may alter their entitlement to tax credit for payroll donations.</p> <p>The maximum tax credit for payroll donation is limited to the tax element of that employee's PAYE for that pay period. So an employee's maximum tax credit for payroll donation could alter in different pay periods, for example if they are paid overtime they will pay more tax and so may be eligible for more tax credit for payroll donations.</p>
22	<p>I see tax credits for payroll donations are limited to the tax part of PAYE.</p> <p>How do I work out how much tax is included in someone's PAYE?</p>	<p>PAYE is made up of tax and ACC earners' levy.</p> <p>Examples of how to work this out are attached below.</p>
23	Does the maximum tax credit for payroll donation change depending on the tax code of the employee?	Yes. The tax code will determine how much tax the employee will pay in their PAYE. This will vary for each employee.
24	Is there a maximum donation amount?	<p>Yes. Any donation is limited to the employee's salary or wage less any obligations they have for that pay period. These include:</p> <ul style="list-style-type: none"> • PAYE (tax and ACC earner's levy) • Child support • Student loan • KiwiSaver

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Any other queries.....		
25	<p>Given the Minister’s speech around moving with technology why do we have to have signed bits of paper to back up the deductions when our staff want to email their instructions to us?</p> <p>Can we go “e” too?</p>	<p>An email record as long as it can be attributed to an individual employee (not from a generic email address) will be fine.</p> <p>The email must state the donee organisation, the amount of the donation(s) and the dates for these along with details of where to pass the donation to.</p>
26	<p>Who checks that the employer has sent the donation across to the donee organisation?</p>	<p>Inland Revenue requires no formal notification to advise us the donation has been paid to the approved donee organisation. As with many other areas of compliance this would be checked by Inland Revenue in an audit situation.</p>
27	<p>What forms are being updated for payroll giving?</p>	<p>Only ir-File electronic forms and file transfers are being updated for payroll giving.</p> <p>Paper forms are not being updated as payroll giving is only available to employers who file electronically.</p>

Examples to illustrate the answer to question 22

Gross annual income from pay period income

The calculation will vary slightly depending on how often someone is paid.

Weekly pay period

gross income	=	weekly gross income x 53
	=	\$399.85 x 53
	=	\$21,192.05

Fortnightly pay period

gross income	=	fortnightly pay x 26
	=	\$815.07 x 26
	=	\$21,191.82

Four weekly pay period

gross income	=	four weekly pay x 13
	=	\$1,630.14 x 13
	=	\$21,191.82

Monthly pay period

gross income	=	monthly pay x 12
	=	\$1,766.00 x 12
	=	\$21,192.00

Examples to illustrate the answer to question 22

Annual ACC earners' levy

This calculation depends on if the gross income is greater than the ACC earners' levy threshold or not. For 2009/2010 income year this is \$106,473.00.

Gross income less than ACC earners' levy threshold

ACC earners' levy	=	Gross income x 1.7%
	=	\$21,192.00 x 1.7%
	=	\$360.26

Gross income equal to or greater than ACC earners' levy threshold

ACC earners' levy	=	Maximum ACC earners' levy x 1.7%
	=	\$106,473.00 x 1.7%
	=	\$1,810.04

Pay period ACC earners' levy

The calculation will vary slightly depending on how often someone is paid.

Weekly pay period

Pay period ACC earners' levy	=	Annual ACC earners' levy/53
	=	\$360.26/53
	=	\$6.79

Fortnightly pay period

Pay period ACC earners' levy	=	Annual ACC earners' levy/26
	=	\$360.26/26
	=	\$13.85

Four weekly pay period

Pay period ACC earners' levy	=	Annual ACC earners' levy/13
	=	\$360.26/13
	=	\$27.71

Monthly pay period

Pay period ACC earners' levy	=	Annual ACC earners' levy/12
	=	\$360.26/12
	=	\$30.02

Examples to illustrate the answer to question 22

Tax element of PAYE

PAYE is a combination of tax and ACC earners' levy. For these examples, the M tax code has been used.

Tax credit for payroll donations are limited to the tax element of PAYE in a given pay period.

Weekly pay period

tax	=	PAYE – ACC earners' levy
	=	\$67.88 - \$6.76
	=	\$61.12

Fortnightly pay period

tax	=	PAYE – ACC earners' levy
	=	\$139.24 - \$13.85
	=	\$125.39

Four weekly pay period

tax	=	PAYE – ACC earners' levy
	=	\$278.48 - \$27.71
	=	\$250.77

Monthly pay period

tax	=	PAYE – ACC earners' levy
	=	\$301.68 - \$30.02
	=	\$271.66

Examples to illustrate the answer to question 22

Maximum Tax credit for payroll donation

Example 1 – gross annual income less than ACC earners' levy threshold

Marc's employer has a payroll giving scheme and Marc decides to participate. His weekly wage is \$762.00. He is on the M tax code and the PAYE on this income is \$150.08.

Here's how to work out the maximum tax credit for payroll donations Marc could receive:

Marc's annual income is less than the ACC earner levy threshold of \$106,437.00, so to work out the tax element of his weekly wage:

ACC	=	Gross income x 1.7%
	=	\$762.00 x 1.7%
	=	\$12.95

Tax	=	PAYE – ACC
	=	\$150.08 - \$12.95
	=	\$137.13

The tax element of Marc's PAYE is \$137.13. This is the maximum tax credit for payroll donations he can receive this pay period.

If Marc decides to donate \$450.00 to an approved donee, he will receive \$137.13 as his tax credit not \$149.99 ($\$450.00 \times 33 \frac{1}{3}$).

To work out Marc's take home pay if he makes his donation:

	Gross income	=	\$762.00
<i>Less</i>	PAYE		\$150.08
<i>Less</i>	Donation		\$450.00
<i>Plus</i>	Tax credit		\$137.13
	Take home pay	=	\$299.05

Examples to illustrate the answer to question 22

Example 2 – gross annual income equal or greater than ACC earners’ levy threshold

Kylee’s employer has a payroll giving scheme and Kylee decides to participate. Her weekly wage is \$2100.00. She is on the M tax code and the PAYE on this income is \$631.84.

Here’s how to work out the maximum tax credit for payroll donations Kylee could receive:

Kylee’s annual income is more than the ACC earner levy threshold of \$106,437.00, so to work out the tax element of her weekly wage:

ACC	=	$(\$106,437.00 \times 1.7\%)/52$
	=	\$1,809.42/52
	=	\$34.79

Tax	=	PAYE – ACC
	=	\$631.84 – \$34.79
	=	\$597.05

The tax element of Kylee’s PAYE is \$597.05. This is the maximum tax credit for payroll donations she can receive this pay period.

If Kylee decides to donate \$450.00 to an approved donee, she will receive \$149.99 ($\$450.00 \times 33 \frac{1}{3}$).

To work out Kylee’s take home pay if she makes her donation:

	Gross income	=	\$2,100.00
<i>Less</i>	PAYE		\$631.84
<i>Less</i>	Donation		\$450.00
<i>Plus</i>	Tax credit		\$149.99
	Take home pay	=	\$1,168.15

Examples to illustrate the answer to question 22

Maximum donation

Before making a donation, employees must have met all their tax obligations for that pay period and had any legally required payments deducted from their pay. These include:

- PAYE (tax and ACC earners' levy)
- student loan
- child support
- KiwiSaver

Pay period obligations do not include any losses or imputation credits from previous years.

Example:

Weekly wage	\$399.85
less PAYE	\$67.88
less KiwiSaver	\$7.99
less student loan	\$3.20
Maximum donation amount	\$320.78

Which is the maximum tax credit for a payroll donation -

Tax credit for a payroll donation from tax or tax credit for a payroll donation from donation?

It is possible for the maximum donation to deliver the possibility of a tax credit for a payroll donation greater than the tax element of PAYE. Where this happens the tax credit for a payroll donation is limited to the tax element of PAYE.

Example

Weekly wage	\$399.85
less PAYE	\$67.88
less KiwiSaver	\$7.99
less student loan	\$3.20
Maximum donation amount	\$320.78
Tax credit for a payroll donation from donation amount	\$106.91

tax	=	PAYE – ACC earners' levy
	=	\$67.88 - \$6.76
Maximum tax credit from a payroll donation (tax element of PAYE)	=	\$61.12

In this instance, the tax credit for a payroll donation received will be \$61.12 from a donation of \$320.78 as it is limited to the tax element of PAYE