

# Payroll News

Inland Revenue  
Te Tari Taake

Employer monthly

Issue 90  
October 2006

## Welcome to Payroll News

In this issue we tell you about KiwiSaver, help with your wage records, future changes to IRD numbers and tax free allowances.

If you have an employer topic you'd like to see covered in this newsletter, please write to the Editor, *Payroll News*, PO Box 2198, Wellington or email us at [payroll.news@ird.govt.nz](mailto:payroll.news@ird.govt.nz). We'll aim to cover the topic in a future edition.

## KiwiSaver - a new work-based savings initiative

Parliament recently passed legislation with the aim of making it easier for New Zealanders to save, particularly for retirement.

As employers you'll have a key role with KiwiSaver. While KiwiSaver is voluntary, from 1 July 2007 all new employees aged 18 to 65 will be automatically enrolled in the new work-based savings scheme—unless they opt out.

We've been actively working with employers and employer groups to ensure the processes are workable and costs to employers are minimised. From late October 2006, we will be sending you more information about the initiative.

### Key features:

- We will provide a comprehensive information pack for you to give to your new employees.
- For most new employees, contributions will start from their first pay and will continue unless they "opt out".
- You'll deduct KiwiSaver contributions from your employee's gross pay and send this to us along with the PAYE.
- You will advise us of each new employee's name, IRD number and address on a new form to be sent in with your *Employer Monthly Schedule (IR 348)*.
- If you make contributions on behalf of your KiwiSaver employees the contributions will be exempt from tax (Specified Superannuation Contribution Withholding Tax) if the employer contribution is the same as the employee's contribution, or 4% of the employee's salary or wages, whichever is less.
- Existing registered superannuation schemes will be able to continue operating independently of KiwiSaver, convert to a KiwiSaver scheme or establish a KiwiSaver scheme within their existing scheme under their existing trust deed.

For further information go to [www.ird.govt.nz/kiwisaver](http://www.ird.govt.nz/kiwisaver)

## Need help preparing your wage records?

Employers may use payroll intermediaries to help prepare wage records. A payroll intermediary can be a payroll service provider, accountant or other tax professional who provides payroll services and is registered as an intermediary with us.

Once you've supplied all the relevant payroll information and payments to your payroll intermediary they'll pass on your PAYE deductions to us and complete and file your returns for you. The cost of using a payroll intermediary varies depending on the service provided.

## Payroll intermediary subsidy

From 1 October 2006 a subsidy has been introduced for small employers\*. This is designed to assist small employers by freeing up time for business which would otherwise be spent preparing wage records.

The subsidy is \$2 per pay day for a maximum of five employees and will be paid directly to the payroll intermediary.

You'll need to check with your payroll intermediary to see if they are registered with us to receive the subsidy. Payroll service providers can be found in the yellow pages or at [www.yellowpages.co.nz](http://www.yellowpages.co.nz) search for payroll services.

\* A small employer has total PAYE deductions (including specified superannuation contribution withholding tax) of less than \$100,000 per year.

## Future changes to IRD numbers

In the March 2006 issue of *Payroll News* we mentioned that we're running out of IRD and GST numbers. At that time we told you we'd be changing all IRD and GST numbers to 9 digits.

We've received your feedback on this and we've decided that existing IRD and GST numbers will not change, ie they will continue to be 8 digits.

### Who will have a 9 digit IRD or GST number?

When the current number range runs out (expected to be early to mid-2008), new customers will be issued with 9 digit IRD numbers. Nothing will change for existing customers.

### Do I need to do anything?

Any software and systems you have that store IRD and GST numbers will need to be changed to accept both 8 and 9 digit numbers.

As we've contacted all known software and payroll providers about this change updated software should be available by April 2007.

If you need more information, please email us at [number.extension@ird.govt.nz](mailto:number.extension@ird.govt.nz) and a member of our project team will contact you.

## Tax treatment of employee allowances

From time to time you may pay allowances to your employees. The three most common types are:

- travelling
- reimbursing
- benefit.

### Travelling allowances

These are cash allowances you pay to your employees for travel between their home and work. The allowance will be tax free if the amount paid reimburses additional transport costs and **any** of the following special circumstances apply:

- the employee is working outside the normal hours of work (eg overtime, shift or weekend work)
- the employee needs to transport work-related tools and equipment (eg they normally get the bus to work, but they have to use different transport to carry work-related equipment)
- there is a temporary change in workplace (eg your employee normally works in Wellington but for the next fortnight you want them to work in Palmerston North)
- the employee is travelling to fulfil an obligation for you
- there is some other condition of the employee's job (eg they are on call and use their own car for these call-outs)
- there is no adequate public transport system serving the workplace.

For all of these special circumstances, except lack of adequate public transport, the tax free amount is the actual cost of travelling between home and work, less the employee's usual transport costs. If you pay a travelling allowance because there's a lack of adequate public transport, the first \$5 of the daily travelling allowance is taxable with any additional amount being tax free.

If you're registered for GST, you can claim a GST credit for the reimbursement for your employee's actual expenses, provided the employee incurs the expenditure in the course of your business and normal GST requirements are met.

### Reimbursing allowances

These payments are made to your employees to compensate them for expenses they've had while doing their job.

An employer can make a reasonable estimate of the costs incurred by an employee and treat this as if it was the amount paid out by the employee.

Reimbursing allowances are not taxable. However, if the payment is more than the employment-related expenses or more than a reasonable estimate, the excess is taxable.

### Benefit allowances

These are payments made in addition to salary and wages which benefit your employee. Food or accommodation provided to employees can also be a benefit allowance.

As a benefit allowance is taxed with your employee's wages, add the taxable value\* of the benefit to the employee's pay for each pay period then deduct PAYE from the total.

\* The taxable value is the difference between the market value of the benefit provided and any amount the employee pays.

## Example

Regan works in a shop that has accommodation above. His employer lets him rent the accommodation for less than the market value.

Market value of accommodation	\$ 200 per week
Less rent paid	\$ 120 per week
Taxable value	\$ 80 per week

## Do you hire fishers or share fishers?

If you hire people to work on fishing boats during the year, it's important to know how to tax them correctly.

Crew members who are paid at an hourly or daily rate are employees and will need to complete a *Tax code declaration (IR 330)*.

You'll need to deduct PAYE from their wages using either the *Weekly and fortnightly PAYE deduction tables (IR 340)* or the *Four-weekly and monthly PAYE deduction tables (IR 341)*. If the crew members are paid a share of the profits with their regular wages, these should be treated as a bonus and included in gross earnings. If the share is paid annually, it should be treated as a lump sum payment.

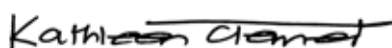
For more information about lump sum payments see the *Employer's guide (IR 335)*. You can view this online at [www.ird.govt.nz](http://www.ird.govt.nz) or order a copy by calling INFOexpress on 0800 257 773.

### Share fishers

A person is a share fisher if:

- the enterprise is carried out under a share fishing agreement
- they have no sick leave entitlement
- they have no entitlement to paid leave in any form
- the costs of operating the fishing boat for the trip are deducted from the gross catch and
- the net amount is shared between
  - the boat owner (who then deducts their overhead expenses) and
  - the crew (who then pay their own costs)

Share fishers are subject to withholding tax at 20 cents in the dollar and need to complete an IR 330 unless they provide you with a current *Certificate of exemption (IR 331)*.



Kathleen Clement  
Manager  
Delivery, Planning and Initiation