

Payroll News

Issue 102
November 2007

Welcome to *Payroll News*

In this issue we tell you about completing your employer deduction form using ir-File, how to treat child support deductions when paying holiday pay in advance and how to tax shearing contractor companies.

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 6140 or email us at payroll.news@ird.govt.nz and we'll aim to cover it in a future edition.

Holiday pay and child support deductions

If you make child support deductions from an employee, you need to deduct it at the usual rate from their holiday pay.

Holiday pay paid in advance

If your employee asks for their holiday pay before going on leave you'll need to gross up the child support deduction from their pay.

When you fill in the child support portion of your *Employer monthly schedule (IR 348)* please complete the child support code box with an "A" to show that it's a deduction made in advance.

Example

Tessa normally pays child support deductions of \$50 a fortnight. In December, she's taking three weeks' annual leave which is paid in advance, along with her normal fortnight's wages, in the last week of November.

Normal child support deduction each fortnight	\$50
Divide \$50 by two to get weekly amount	\$25
Multiply \$25 by 3 for the amount to deduct from her three weeks' holiday pay	\$75

The total child support deductions would be \$125 (\$50 for the normal pay, plus \$75 for the three weeks' holiday pay).

For December, the child support deductions will be less than the amount expected (based on the deduction notice applying). You need to use the code "D" to show that the shortfall has been deducted in the previous month.

If you have questions about child support and holiday pay, please call us on 0800 220 222. If any of your employees have questions about child support they can call us on 0800 221 221.

If you want more information about the rules for holiday pay and how to calculate it, call the Department of Labour's Employment Relations Infoline on 0800 209 020 or go to their website www.ers.dol.govt.nz

Completing your *Employer deductions (IR 345)* or *(IR 346)* online

If you use ir-File to send us your *Employer monthly schedule (IR 348)* you'll have noticed that you can now also complete your *Employer deductions (IR 345)* or *(IR 346)* online, by clicking on EDF on the left-hand tool bar.

If you complete your IR 345 or IR 346 using ir-File you can make your payment electronically, however if you prefer to make your payment by cheque please attach this to the paper payment slip of the IR 345 or IR 346 we send you and post it back to us or take it with you if making payments through Westpac.

Print quality of our forms

Our transition to black and white printing of the *Employer deductions (IR 345)* or *(IR 346)* form and *Employer monthly schedule (IR 348)* wasn't as smooth as we expected. In particular the shading of the boxes wasn't good quality.

We've made improvements to the quality of the printing in these forms and we're continuing to monitor it. We apologise for any inconvenience this has caused.

Hiring shearing contractor – companies

In the September edition of *Payroll News* we ran an article about hiring shearers and have been asked how to tax shearing contractors that are limited liability companies.

You don't need to deduct withholding tax from payments made to these shearing contractors because they're a limited liability company (unless they're a non-resident company).

If your shearing contractor is a non-resident company you'll need to ask them to complete a *Tax code declaration (IR 330)* and deduct 15% withholding tax from any payments you make to them. If the contractor doesn't complete an IR 330 you'll need to deduct 20% withholding tax from any payments made to them. Please remember to include the contractor's details on your *Employer monthly schedule (IR 348)*.

Going on holiday?

Are you going on holiday or will your business be closed for the holidays when your next *Employer monthly schedule (IR 348)* is due?

Generally, you should receive your IR 348 around the 8th of the month. If you're not going to be working around this time and you need the forms before this date you can either get a blank *Employer monthly schedule (IR 348)* from www.ird.govt.nz or by calling INFOexpress on 0800 257 773.

Paying early

If you're away around the time that PAYE payments are due, please send your payments to us early to avoid late payment penalties. You can do this by:

- internet banking
- sending us a postdated cheque. To draw our attention and to minimise the risk of your postdated cheque being processed early, please highlight the date.

KiwiSaver deductions for employees with more than one job

If an employee has two or more jobs when they elect to become a KiwiSaver member, they must choose to have KiwiSaver deductions made from at least one job. Deductions from their other jobs are optional. However, deductions will need to be made from any (part-time or full-time) employment they start after becoming a KiwiSaver member, unless they take a contributions holiday.

Who can join KiwiSaver?

All New Zealand citizens and people entitled to live in New Zealand permanently, who are under the age of 65, can join KiwiSaver.

Any new employee you hire is automatically enrolled in KiwiSaver except if they:

- are already a KiwiSaver member
- aren't a New Zealand resident or citizen
- don't normally live in New Zealand (although state sector employees serving overseas may be able to join)
- are under 18 years or over 65, or
- are a temporary employee, casual agricultural worker, election day worker private domestic worker, on paid parental leave or aren't required to have PAYE deductions made from their salary or wages.

If your employee is automatically enrolled in KiwiSaver you'll need to complete a *KiwiSaver employee details (KS 1)* form and send it to us. The KS 1 is also available on ir-File. If you complete the KS 1 using ir-File you don't need to complete a paper KS 1.

Please remember to complete the KS 1 if any existing employees join KiwiSaver through you.

You can get additional KS 1 forms from www.ird.govt.nz or by calling INFOexpress on 0800 257 773.



Inland Revenue
Te Tari Taake

KiwiSaver enrolments exceed 200,000

At 5 October 212,794 people have joined KiwiSaver:

- 101,748 people actively chose a provider and went directly to a scheme to enrol
- 67,028 people actively chose to join KiwiSaver and enrolled through their employer
- 44,018 new employees were automatically enrolled by their employer.

Employer KiwiSaver email update

If you'd like to receive fortnightly KiwiSaver employer updates by email you can subscribe to the mailing list at www.ird.govt.nz/kiwisaver/employers



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