

Payroll News

Issue 115
March 2009

Welcome to Payroll News

In this issue: PAYE tables from 1 April 2009, employees using special tax codes and secondary codes, KiwiSaver update, electronic payments, payments to us on behalf of employees, filing online, last issue of *FBTnews*.

If you have a topic you'd like to see covered in this newsletter, please email us at payroll.news@ird.govt.nz and we'll aim to cover it in a future edition.

PAYE tables from 1 April 2009

By now you should have received updated 2010 PAYE tables:

- *Weekly and fortnightly (IR 340)*
- *Monthly and four-weekly (IR 341)*

We've issued updated PAYE tables because personal income tax rates are changing.

Please use the new tables for pay periods ending on or after 1 April 2009.

The new tables are also available online or by calling INFOexpress on 0800 257 773.

If you haven't received your tables or the tables you require, call us on 0800 377 772. Please remember to have your IRD number handy.

If you're a company with an annual turnover of \$100 million or more or a customer under special legislation, eg, mining and crown entities, please call us on 0800 443 553.

If you have employees using special tax codes

Employees or contractors may apply to us for a *Special tax code/student loan special repayment rate application (IR 23BS)* to allow for deductions of PAYE or student loans at a special rate. This applies to all payments, including bonuses and extra emolument payments. It will be addressed to you as the employer or "to whom it concerns".

We've calculated the special tax code for 2010 to include the tax rate changes and the independent earner tax credit (if applicable). When your employee gives you their new *Special tax code deduction rate certificate* please use the new rate from the next pay you calculate. Please note the certificate only takes effect from the date it's signed and given to you, and cannot be rolled over from the previous year.

You return the details on your *Employer monthly schedule (IR 348)* as normal showing the tax code as *STC*.

If you have employees using secondary tax codes

The thresholds for secondary tax codes have changed. Employees can elect a new secondary tax code if they believe their annual income will be below the new threshold.

The secondary tax thresholds from 1 April 2009 to 31 March 2010 are:

Income range	Tax rate	Tax code
\$0 – \$48,000	21%	S or S SL
\$48,001 – \$70,000	33%	SH or SH SL
\$70,001 upwards	38%	ST or ST SL

If your employee is using the S SL, SH SL or ST SL tax codes don't forget the student loan repayment amount as well.

More information about the 1 April tax changes is available at www.ird.govt.nz

KiwiSaver update

With the new financial year starting, we thought we'd take the time to refresh the "need to know" KiwiSaver points.

KiwiSaver employee details (KS 1)

If you're registered for ir-File you can send us the KS 1 electronically. If you're not registered for ir-File and want to file online, go to www.ird.govt.nz/online-services/online-services-registration.

Please fill out a KS 1 form every time an employee enrolls in KiwiSaver, even if they want to opt out. Remember to include the employee's home address. Send us the completed KS 1 before your next *Employer monthly schedule (IR 348)* is due to be filed.

Employees exempt from automatic enrolment

We've also noticed some employers are automatically enrolling all their employees in KiwiSaver. There are some employees who aren't eligible to be automatically enrolled. Here's a quick refresh of what you need to know about eligibility criteria.

You don't have to automatically enrol your employee in KiwiSaver if they:

- are under 18 years old (they can join voluntarily)
- are over the New Zealand Superannuation qualification age, currently 65
- are a casual agricultural worker, election day worker or private domestic worker who pays their own PAYE
- are employed on a temporary employment contract of 28 days or less
- are on paid parental leave or ACC
- stay on the same payroll (and not a school employee)¹
 - when a business is taken over or amalgamated, or
 - if they relocate with the same employer
- only receive schedular payments²
- are not a New Zealand resident
- don't normally live here (unless they're a government employee working overseas)
- are not required to have PAYE made from their salary or wages
- revert to an employer they were seconded from, straight after that secondment.

¹ School employees – The board of trustees is the employer for employees in a state or integrated school. If an employee changes schools, they are treated as starting new employment and should be automatically enrolled even though they stay on the same payroll.

² Formerly withholding payments.

Opting out

If you automatically enrol an eligible new employee in KiwiSaver, they can opt out after they've been employed for two weeks. The cut-off point for opting out is when they've been employed for eight weeks. After this period, employees may still be able to opt out through the late opt-out process, but they'll need to meet certain criteria. You still need to send us the KS 1 form even if your employee decides to opt out.

Existing employees who have voluntarily enrolled in KiwiSaver can't opt out. Anyone who's been a member of KiwiSaver for 12 months or more may apply for a contributions holiday. Someone experiencing financial hardship may be entitled to an early contributions holiday before the 12 months are up.

If one of your employees wants to apply for an early contributions holiday, they can call us on 0800 KiwiSaver (0800 549 472). For more information please go to www.ird.govt.nz/kiwisaver/employers/.

Do you make electronic payments?

Electronic payments, eg, automatic payment, direct credit and online banking are a common way of paying us. Most banks offer an online tax payment service on their website, which ensures the correct payment reference details are included with your payment. The correct format of the payment information for an electronic payment to us is as follows:

Example

Payee name	JOHN WANE LIMITED			Amount	
Bank	Branch	Customer number	Suffix		
Particulars	Payee code	Reference			
999888656	PAY	30092009			
IRD number	Tax type	Period end date			

Particulars

999888656 (IRD number). Starting from the left, with no dashes, spaces etc. The remaining boxes are left empty.

Payee code

PAY 30092009. The first three boxes have the code for the correct tax type (see www.ird.govt.nz/how-to/making-payments/electronic-payments for more information). The next box is left blank, then enter the period end date this payment is for, not the date you are making the payment. This must show the day, month and all four digits of the year.

If you're paying PAYE only, use the PAY tax type. For more than one employer deduction, use the DED tax code. DED relates to employer deductions and applies to PAYE or any combination of PAYE, KiwiSaver, child support, student loan and ESCT (employer superannuation contribution tax).*

Example

David is a small employer with five employees. One employee has a student loan and another has child support deductions. When David makes his payment for the March period (31/03/2009) he enters:

IRD number	Tax type	Period
12345678	DED	31032009

Each bank has a different cut-off time for processing payments. Your bank will carry over payments made after this time and process it the following business day. So, please check your bank's cut-off time to ensure your payment will be processed on time. Most banks let you postdate your payment so you can set it up in advance for processing on a future date.

Payments to us on behalf of employees

At times we may request you to make deductions from employees' wages for tax arrears or child support arrears.

If you use a software package provided by banks or software developers which allows you free text to go with the payment, you can put the reference S157/S154Various in the first reference field. Then please fax the associated schedule to us at Upper Hutt Operations Delivery, 04 920 1761 giving details of:

- your business name and phone number
- the date of the payment
- the total amount of the payment
- each employee's name and how much to credit to them.

* Formerly SSCWT

At this time online banking only allows for payments to single IRD numbers, so to use the online tax payment service you'll need to set these up individually for each employee to ensure the payment is credited correctly. If you do please use the tax code of ARR.

Filing online saves you time

If you have six or more employees research shows it's more efficient and cost-effective for you to file your *Employer monthly schedule (IR 348/EMS)* and the *Employer deductions (IR 345/EDF)* form electronically through ir-File. Even if you have fewer than six employees, filing electronically is an accurate and efficient way to send us your employee information.

Filing online is fast, secure and accurate. It saves you time, reduces compliance costs and because your deductions are processed right away, avoids unnecessary penalties.

If you use payroll software to process employee payments and you send a paper copy of your *Employer monthly schedule (IR 348)* or your *Employer deductions (IR 345)* form, you can use the download option through ir-File to transfer this information from your payroll software to us.

To find out what it's all about, go to www.ird.govt.nz/help/demo/ to view an online demonstration that takes you through the process. ir-File doesn't require any additional software—you simply register online and when you're set up you can file your EMS, EDF and make payments through one system.

For further information go to www.ird.govt.nz/online-services or talk to your payroll provider who can help you move to electronic filing.

Correction

Employer tax credit (ETC)

There was an error in the "KiwiSaver changes" article in the February 2009 issue of *Payroll News* about removal of the employer tax credit (ETC).

This should have read:

"You can continue to claim a tax credit if the pay period ends before 1 April 2009. You'll be unable to claim a tax credit for any pay period that starts before 1 April 2009 but finishes after 1 April 2009."

Examples

Employer 1: Pay period 24 March 2009 to 31 March 2009 – pay details returned in the March 09 EMS schedule, ETC claim allowed for this period.

Employer 2: Pay period 27 March 2009 to 2 April 2009 – pay details returned in the April 09 EMS schedule (2 April 09 pay date), no ETC claim for this period.

We apologise for this error. The online version of the newsletter has been amended.

Last issue of FBTnews

The March 2009 issue of *FBTnews* will be the last issue. If we have any FBT changes we need to tell you about we'll include them in this newsletter.

So, if you have an FBT topic you'd like to see covered please email us at payroll.news@ird.govt.nz and we'll aim to cover it in a future edition.



Alan Quinn
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Customer Insight

 **Inland Revenue**
Te Tari Taaka

Payroll News comments generally on topical tax issues relevant to employers. While every attempt is made to ensure the law is correctly interpreted, articles are intended to be a brief overview only and not a full commentary or analysis of the law. The examples provided are not intended to cover every possible factual situation.