

Payroll News



Inland Revenue
Te Tari Taake

Employer monthly

Issue 94
March 2007

Full name	IRD number	Tax code	Start	Finish	Gross ea
Davies Robyn	12173142	M			\$
Rawlins Stacey	12111222	WT			\$
					\$
					\$
					\$

Welcome to Payroll News

In this issue we tell you about PAYE deduction tables for pay periods on or after 1 April 2007, changing from being a small to a large employer and we reply to some of the questions you've asked.

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.

PAYE deduction tables from 1 April 2007

We're in the process of sending out the PAYE deduction tables for the year ending 31 March 2008. The rates in the tables apply from 1 April 2007. Please use these tables for pay periods ending on or after 1 April 2007.

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

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

The following changes are effective from 1 April 2007:

- The maximum earnings on which earners' levy is payable increases to \$99,817.
- Employees who have a student loan and use the M SL tax code can earn up to \$17,784 (\$342 per week) before having student loan deductions made.

From 6 March the new deduction tables will be available on www.ird.govt.nz, or you can order a copy of the tables you require by calling INFOexpress on 0800 257 773.

Please use the 2008 deduction tables for pay periods ending on or after 1 April, or if you prefer, you can use our online calculators under **Work it out > PAYE > PAYE calculator 2008**.

If you use a payroll provider these changes should be incorporated into your payroll package for pay periods ending on or after 1 April 2007.

Changing from a small to a large employer

Employers whose total PAYE and Specified superannuation contribution withholding tax (SSCWT) exceed \$100,000 are "large" employers and are required to file their EMS electronically through ir-File and to pay their PAYE deductions to us twice a month.

Each month we check the balances of the PAYE and SSCWT paid to us by each "small" employer for the year-to-date. We send a letter to employers who have exceeded the \$100,000 threshold advising them that they are required to file electronically and to pay their deductions twice a month.

Sometimes letters are issued as the result of errors on the Employer deductions forms (IR 345 or IR 346).

If you receive a letter saying that your PAYE deductions have exceeded the threshold and you don't believe they have, call us on 0800 377 772. We'll check your records and where a mistake has been made we'll ensure you don't get changed to a large employer.

Completing your Employer deductions/EMS

When completing your Employer deductions (IR345) or (IR 346) or EMS please ensure that you fill out all fields clearly and with only one character shown in each box.

If you need to show a nil amount please put "0.00", not NIL or a dash.

Completing these forms correctly means that we don't send you incorrect PAYE assessments or record incorrect income details for your employees.

Child support deduction notices

In mid-March you may receive a new child support deduction notice for an employee who is required to have child support deducted from their salary or wages.

The new notice tells you when to make deductions for the employee and the correct amount to deduct.

We send out new notices each year as all child support paying parents are reassessed for the new tax year starting on 1 April, resulting in a new payment amount.

Note

If you don't receive a new notice for an employee, you must continue to deduct child support at the existing rate.

Usually, we issue an individual notice for each employee you make deductions for. However, we can also send you deduction notices in the following formats:

- a consolidated deduction notice—a notice in schedule form showing all additions and changes to child support payments for multiple employees on the same schedule
- both individual deduction notices for some employees and a consolidated deduction notice for others.

If you'd find it easier to process deduction notices if they were sent in one of the alternative formats, please call us on 0800 220 222.



Inland Revenue
Te Tari Taake

Future changes to IRD numbers

In previous editions of *Payroll News* we've told you about the nine-digit Inland Revenue numbers we're introducing for all new customers, from April 2008. There will be no changes for existing customers.

What you need to do

You need to ensure that any software and systems you have that store IRD and GST numbers has been changed to accept both 8 and 9 digit numbers. We've contacted all known software and payroll providers about this change, so updated software should be available by April 2007.

It may pay to check with your software or payroll provider to ensure your systems will be ready for the introduction of the extended number range. If you need more information, please email us at number.extension@ird.govt.nz and we'll contact you.

Questions we've been asked

The following responses are in respect of questions we've been asked.

Where do I find out about calculating holiday pay and leave entitlements?

For more information on the above, please go to www.ers.dol.govt.nz or call the Department of Labour on 0800 209 020.

How are student loan repayments calculated when paying holiday pay?

Student loan repayments should be calculated the same way as a normal pay. You can use our online calculator under **Work it out > PAYE > "Calculate tax on holiday pay – 2007"** to determine the deduction to be made. The calculator is updated annually.

I'm paying a lump sum payment and my employee has a special tax code STC. Do I deduct PAYE at the rate that is shown on the STC or deduct PAYE according to the value of the lump sum payment?

When an employee gives you a special tax code certificate, use the rate shown on the certificate to deduct tax from any payments you make to them. In some instances the amount you deduct will be too high—in others it may not be enough. In either case, all special tax code recipients receive a personal tax summary or are required to file a tax return so any under or overpayment will be identified at the end of the tax year.

Can you please explain Specified superannuation contribution withholding tax (SSCWT) deductions and why these are not included on the Employer monthly schedule (IR 348)?

Any contribution that an employer makes to a superannuation fund for the benefit of an employee is liable for tax. This tax can be SSCWT or PAYE (where the employee and the employer agree that the contribution will be taxed at the employee's personal tax rate.)

When the tax is deducted as SSCWT, it needs to be separated from PAYE payments so employers who deduct it complete an IR 346 instead of an IR 345.

When the contribution is paid as salary and wages, both the contribution and the respective PAYE deduction will be recorded as income and shown on the IR 348.

We do not record the amount an employer contributes to a superannuation scheme, or the amount of the SSCWT they deduct for each employee as they are a transaction between the employer and the employee's superannuation fund provider. All details of the amount contributed by the employer and SSCWT deducted should be retained by the employer. For more information see our *Employer's guide (IR 335)*.

Where the gross pay has cents and/or the exact amount of earning is not shown in the PAYE deductions table what is the correct way to calculate the PAYE deductions and complete the "Gross earnings" panel on the Employer monthly schedule (EMS)?

When an employee's gross pay has cents or the exact amount is not shown in the tax tables you calculate the PAYE to be deducted using the nearest lowest figure in the PAYE deduction table.

However, when completing the EMS you show the employees actual whole dollar gross income for the period, you just drop the cents, ie don't round up or down.

Example

Wage book

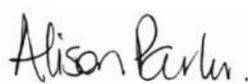
Fortnightly gross pay	\$ 1,051.76
PAYE to be deducted (This will be on \$1,050 as this is the nearest lowest figure in the table)	\$ 212.22
Nett pay	\$ 839.54

EMS

Gross earnings to be shown on the EMS	\$ 1,051.00
PAYE deducted	\$ 212.22

How do I subscribe to Payroll news?

Payroll News is issued with your EMS or you can receive it electronically by completing the subscription on our website under **Newsletters and bulletins > Payroll News**. Back copies of *Payroll News* can also be found here.



Alison Parks
Manager
Customer Operations