

Welcome to Payroll News

In this issue we tell you about Inland Revenue's charter and new Complaints Management Service and changes to FBT rules.

Please pass this newsletter on to the person who deals with the payroll in your business.

Inland Revenue's charter and Complaints Management Service

Over the past year, we have been revising and improving the process for resolving complaints that people might have about our service.

Inland Revenue has a new charter that states the principles on which service to taxpayers is founded and sets out the service standards taxpayers can expect when dealing with us.

If the service standards set out in the charter have not been met, we'd like the opportunity to resolve the problem and learn from it. In most cases, the quickest and easiest way to resolve a complaint is with the staff member you've been dealing with, or with one of our customer service representatives. If you are still not satisfied, or the complaint involves a staff member, ask to speak to their manager. You can, at any stage, ask our new Complaints Management Service to take a fresh look at the complaint.

Contact the Complaints Management Service by phoning toll-free on **0800 274 138** between 8 am and 5 pm weekdays, or by writing to:

The Complaints Management Service
Inland Revenue
PO Box 1072
Wellington

If you disagree with a tax assessment, you may need to follow a formal disputes procedure. For more information, talk to one of our customer service representatives or read our booklet *Disputing an assessment* (IR 776).

You'll find more information about the charter and the Complaints Management Service on our website at www.ird.govt.nz or, you can order our new information sheet, which contains the charter and details of the complaints process. A guide to the charter, which provides more information about its principles and answers common questions, is also available. To order either of these, phone INFOexpress on **0800 257 773**. Please have the number of the product (IR 613 for the guide and IR 614 for the information sheet) and your IRD number, or the IRD number of your organisation, handy when you call.

Paying your employee's student loan for them

This article explains the tax treatment of any lump sum payments you make towards an employee's student loan as part of their salary package.

If you make a lump sum payment for an employee towards their loan balance, it is treated as an extra emolument and taxed at a flat rate in the period it's paid out. The rate will depend on the employee's annual salary or wage amount. See page 10 of the 2002 tax tables for the extra emolument rates. If the employee uses a student loan tax code, you will also need to deduct student loan repayments from the lump sum.

Example

An employee accepts a recruitment package consisting of:

- an annual salary of \$63,000
- a lump sum payment of \$20,000 gross to be paid towards the employee's student loan after two years of employment.

As the employee has a student loan, they are required to use a student loan tax code, for example M SL. Because the employee's income is over \$60,000, the tax rate applied to the lump sum payment is 40.1%, including ACC earner premium (using current rates). In addition to the tax, student loan deductions must also be made from the lump sum. The final tax deduction is made up as follows:

Gross payment	\$20,000
Tax at 40.1%	\$ 8,020
Student loan repayment deductions at 10%	\$ 2,000
Net payment	\$ 9,980

The student loan repayment deduction of \$2,000 is paid to Inland Revenue with the PAYE deductions on the *Employer monthly schedule* (IR 348). The \$9,980 is the amount that the employer directly pays off the employee's loan balance. This payment should be kept separate from your usual PAYE payments. Do not include it on your employer monthly schedule or *Employer deductions* (IR 345) or (IR 346) form.

If the lump sum payment will pay off the loan completely, there would be no need to make student loan repayment deductions.

Fringe benefit tax (FBT) update

In last month's *Payroll News* we told you about some important changes to the way you calculate and pay FBT.

Here's a reminder of how some of these changes may affect you:

- The due date for filing your fourth quarter return is now 31 May 2001. Some returns were issued showing an incorrect due date of 20 April—we apologise for this. The covering letter and guide sent with the return showed the correct due date of 31 May 2001.
- You have a choice in the way you calculate your FBT to pay—either the 64% flat rate or the multi-rate calculations.
- If you are a quarterly filer you may have the option of using the top-up provision for the 2001 year. The *Fringe benefit tax returns guide (IR 425)* you received with your return in April tells you if you are able to take advantage of this option.
- If you are a quarterly filer you will have recently received a letter, saying that use-of-money interest charged on yearly returns is being removed. You may be able to file annual returns in the future if your annual gross tax deductions are \$100,000 or less. The letter tells you what to do if you want to make the change.

Legislation changes to note

There have been further changes made since our last update. Here are some of the key changes to the fringe benefit tax rules which apply from 1 April 2000.

- **Shareholder-employees' cash remuneration**
There may be a timing conflict in determining a shareholder-employee's total remuneration. If any of the income is unknown at the time the return is due to be filed, there are options available (explained on page 5 of your IR 425 returns guide).
- **Income attributed under the attribution rules**
Cash remuneration now includes any amount of income attributed under the attribution rules. See the FBT webpage at www.ird.govt.nz for more information on attributed income and FBT. If any of the income is unknown at the time the return is due to be filed there are options available (see page 6 of your IR 425 returns guide).
- **Low-interest loans provided by life insurers**
Low-interest loans provided by life insurers to policyholders are now deemed to be non-attributed benefits and are taxed at the flat rate of 49%.
- **Non-resident employees**
If remuneration is paid to a non-resident employee, the calculation of the deemed amount of tax payable on the remuneration includes any rebate of tax as if they were a resident in New Zealand for the full income year.
- **Associated persons receiving benefits**
Fringe benefits provided to an associate of an employee are to be taxed in the hands of the employee rather than the associate.
- **Subsidised transport**
The subsidised transport exception allowing employers to pool benefits at the flat rate of 49%, if all employees have the same or similar entitlement, now includes employers who are close companies.

New "short-form" multi-rate calculation option

From 1 April 2001, and applying to FBT returns covering the 2001 to 2002 period, an additional multi-rate calculation option is available. This streamlined option allows all attributed benefits to be taxed at the flat rate of 63.93% and all non-attributed benefits to be taxed at the flat rate of 49% (or 64% on all fringe benefits provided to major shareholder-employees).

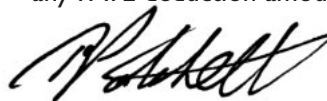
If you file quarterly returns you continue to work out your FBT to pay in the fourth quarter by subtracting the amount of FBT assessed in quarters one to three (paid at a rate of either 49% or 64%).

Remember...

Our FBT webpage at www.ird.govt.nz contains an FBT multi-rate calculator to help you with your multi-rate calculations. Input your employee's cash remuneration and attributed fringe benefit and the calculator will do the rest.

Earnings not liable for earner premium (ACC)

It's important that you remember to show any payments which have been included in an employee's gross earnings which aren't liable for earner premium in the "earnings not liable for earner premium box" on your *Employer monthly schedule (IR 348)*. Payments not liable for earner premium include withholding payments, retiring allowances, redundancy payments, student allowances, various benefits, and taxable pensions. Do not include any non-taxable allowances or any PAYE deduction amounts in this box.



Bryre Patchell
National Manager,
BusinessDirect

Due date for ACC returns and payments

Just a reminder that your 2001 ACC residual claims levy statement (IR 68A) and payment are due 31 May 2001.

If you've misplaced or did not receive an IR 68A form, please ring INFOexpress on **0800 257 773**. If you're having problems getting your return or payment to us please call **0800 377 772**.