



Inland Revenue
Te Tari Taake

IR 333
April 2012

First-time employer's guide

**Information you'll need if you're thinking
of taking on staff for the first time**

Introduction

This booklet takes a brief look at what employers need to know, and answers questions new or prospective employers commonly ask us.

If you're going to start employing, you can register online at www.ird.govt.nz "Get it done online" "Employers (payroll)".

www.ird.govt.nz

Go to our website for information, services and tools.

- **Secure online services** – login to check your account information, file an employer schedule, confirm personal tax summaries and update your family details and income.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides, and print forms to post to us.

You can also check out our newsletters and bulletins, and have your say on items for public consultation.

How to get our forms and guides

You can view copies of all our forms and guides mentioned in this booklet by going to www.ird.govt.nz and selecting "Forms and guides". You can also request copies by calling 0800 257 773.

The information in this guide is based on current tax laws at the time of printing.

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Part 1 – Registering as an employer

As soon as you start employing people you must register with Inland Revenue. If you know in advance that you'll be having someone work for you, you can register before they actually begin working.

Who is an employee?

It's very important you're sure about whether the people who work for you are your employees or whether they're self-employed. This is because tax and accident compensation laws treat the two groups of people differently and you're responsible for deducting PAYE and any other deductions from your employees. It's illegal to treat someone as self-employed to avoid deducting tax.

In most cases it will be quite clear whether or not someone is an employee. Generally, if you control how and when the person's work is done, the person is your employee.

If you answer yes to all or most of the following questions, the worker is probably your employee.

- Does the person have to do the work, rather than being able to hire someone to help?
- Can you tell the person what to do on the job and when and how to do it?
- Do you pay the person at a set rate (eg, hourly, weekly, monthly or by unit of production)? Please note, a person paid by commission or on a piece-work basis may still be an employee, especially if there are other employees who work on the same basis.
- Can the person get overtime or penal rates?
- Does the person work set hours or a given number of hours each week or month?
- Does the person work at your premises or at a place you specify?
- Do you set the standards for the amount and quality of the work?
- Do you pay sick pay or holiday pay?

Note

A person can be self-employed in one line of work and still work for someone else as an employee.

For more help

If you're not sure whether someone is self-employed or an employee, read our pamphlet *Self-employed or an employee? (IR 336)*. If you're still not sure, call us on 0800 377 772.

If you decide someone is not an employee, you may still have to deduct tax on schedular payments you make to them—see page 12.

How to register as an employer

You can register online at www.ird.govt.nz “Get it done online”, “Employers (payroll)”.

You need an IRD number for your employer records.

- If you’re an individual (self-employed or a sole trader) and want to start employing staff you can register as an employer under your own IRD number. If you don’t already have an IRD number you’ll need to apply for one by completing an *IRD number application – individual (IR 595)* form.
- If you’re a non-individual (partnership, company, trust or other organisation), and don’t already have an IRD number, use an *IRD number application – non-individual (IR 596)* form.
- Make sure you enter the date you’ll start employing at Question 8.
- To calculate PAYE use our online calculators at www.ird.govt.nz “Work it out”. To view our PAYE tables *Weekly and fortnightly PAYE deduction tables (IR 340)* and *Four-weekly and monthly PAYE deduction tables (IR 341)* go to www.ird.govt.nz (keywords: ir340 or ir341).
- We ask you to show the number of employees (including contractors who receive schedular payments) you’ll employ so we can send you enough supplies of the *Tax code declaration (IR 330)* forms. All employees must complete one when they start working for you.
- Tick Yes at Question 10 (for the print version) or Question 11 (for the online version) if any of your employees have a student loan. If you’re registering as an employer before employing staff or you take on additional staff in the future, you may not know if your employees have student loans—simply show their student loan tax code on the *Employer monthly schedule (IR 348)* in the month they start working for you.
- An employer’s superannuation cash contribution is a monetary contribution made to a superannuation fund, by an employer, for the benefit of their employees. For more information see page 14.

- Most benefits given to employees other than their salary or wages are fringe benefits—these can include motor vehicles, low-interest loans, and free, subsidised or discounted goods or services. If you're likely to provide any of these benefits to employees, tick Yes at Question 12. If you won't be providing any fringe benefits, tick No. If your situation changes and you start providing fringe benefits, you'll need to contact us so we can start sending you FBT (fringe benefit tax) returns. If you don't complete this question, we'll automatically send you quarterly FBT returns. If you've ticked Yes and your gross tax and employer's superannuation contribution tax deductions are \$100,000 or less for the year, you have the option of filing annual or income year FBT returns instead of quarterly returns. For more information, see page 13.
- At Question 14 we highlight what you will need to do as an employer. We ask you to complete three questions to help us understand what information and services you might find useful. This may involve us contacting you to discuss how we can help you.

Part 2 – Your responsibilities as an employer

As an employer, you must deduct PAYE, including schedular payments (if applicable) from payments you make to the people who work for you. You may also have to make other deductions such as student loan repayments, child support and KiwiSaver deductions. You must pay these deductions to us.

PAYE

PAYE (pay as you earn) is the basic tax you take out of your employees' wages. PAYE includes ACC earners' levy—see page 10.

Your employees must complete a *Tax code declaration (IR 330)* as soon as they start working for you. The IR 330 explains how to work out the correct tax code.

The amount of PAYE you deduct depends on your employees' tax code. Our online PAYE/KiwiSaver calculator shows the amount of PAYE to deduct for each tax code. Go to www.ird.govt.nz “Get it done online”.

Most employees use a primary tax code (M, ML or ME) because they have one regular job which is their main or only source of income.

If an employee is using a primary tax code for another job, they must use a secondary tax code (SB, S, SH or ST) or a special tax code (STC) for their job with you.

Work permits

If you're thinking of hiring someone from overseas, they may need a work permit. Only citizens and permanent residents of New Zealand and Australia may work in New Zealand without a work permit. Part 3 of the *Tax code declaration (IR 330)* covers entitlement to work, which must be completed by employees.

Note

In some cases a visitor or student permit or other entitlement may allow employment in New Zealand. For more information on this and work permits please go to www.immigration.govt.nz or call the New Zealand Immigration Service on 0508 558 855.

Recognised employer scheme

If your business is in horticulture or viticulture you may be thinking about employing workers under the recognised seasonal employer scheme, administered by the Department of Labour. For more information go to www.dol.govt.nz/initiatives/strategy/rse

ACC earners' levy

All employees must pay an ACC earners' levy to cover the cost of non work-related injuries. We collect this levy on behalf of the Accident Compensation Corporation (ACC).

The earners' levy is included in PAYE so you don't have to make a separate calculation.

Most earnings that have PAYE deducted are liable for earners' levy. The main exceptions are redundancy and retirement payments—how to tax these correctly is covered in our *Employer's guide (IR 335)*.

Student loan and child support deductions

As well as deducting PAYE, you may need to make deductions for student loans and/or child support depending on your employees' circumstances.

Some of your employees may need to make repayments for a student loan. They'll use a student loan tax code (ML SL, M SL, ME SL, SB SL, S SL, SH SL or ST SL) on their *Tax code declaration (IR 330)*. The PAYE tables show you the amount of PAYE and student loan repayment to deduct, based on your employees' tax code.

If you're required to make child support deductions for an employee, we'll send you a child support deduction notice telling you how much to deduct.

KiwiSaver

KiwiSaver is a voluntary, work-based savings initiative to help New Zealanders save for their retirement.

All employers are required to make KiwiSaver available to all employees (unless you've received an exemption).

As an employer you're required to:

- check whether new employees are eligible to join KiwiSaver
- check whether new employees should be automatically enrolled
- give the KiwiSaver information pack, this includes our factsheet *Your introduction to KiwiSaver—employee information (KS 3)*, *KiwiSaver deduction form (KS 2)* and the *New employee opt-out request (KS 10)*, form to:
 - new employees who qualify for automatic enrolment, and
 - existing employees who want to opt in.
- provide information to us about:
 - all new employees who qualify for automatic enrolment, and
 - eligible employees who want to opt in to KiwiSaver.
- if you have an employer-chosen scheme, provide new employees with that scheme's investment statement and a written statement advising that they will be allocated to your chosen scheme, unless they choose their own KiwiSaver scheme.

KiwiSaver deductions

If your employees are enrolled in KiwiSaver you will need to:

- deduct KiwiSaver from your employee's gross pay at the rate they have specified (either 2%, 4% or 8%)
- forward the deductions to us by the due date along with your PAYE and any other deductions
- action opt-out and contributions holiday requests
- stop or start deductions when we advise you to.

KiwiSaver employer contributions

The KiwiSaver employer contribution rate is 2% of the gross salary or wages of each enrolled employee.

Note

You can find information about KiwiSaver at www.kiwisaver.govt.nz or in the *KiwiSaver employer guide (KS 4)*.

Payroll giving

Payroll giving is a voluntary scheme where employees can make donations from their pay to support chosen approved donee organisations.

You choose whether to set up payroll giving and how it will run. If you do it's up to your employees whether or not they participate.

You'll need to be filing your *Employer monthly schedule (IR 348)* and *Employer deductions (IR 345)* form electronically to offer payroll giving.

For more information see our *Payroll giving (IR 617)* guide.

Schedular payments

Schedular payments are made to people who work for you but are not actually employees. The main activities and the tax rate for each activity are listed on the back of the *Tax code declaration (IR 330)*.

Workers in these activities need to complete an IR 330 and use a WT code. Schedular payments are taxed at a flat rate.

You don't need to deduct ACC earners' levy, make KiwiSaver deductions or student loan repayments from schedular payments. In these circumstances this is the contractor's responsibility.

FBT (fringe benefit tax)

Most non-cash benefits given to employees on top of their salary or wages are fringe benefits. These can include motor vehicles, low-interest loans, and free, subsidised or discounted goods or services.

Fringe benefits also include employer contributions to sickness, accident or death benefit funds, funeral trusts, life, pension, personal accident or sickness policies, and contributions to superannuation schemes that ESCT (employer superannuation contribution tax) doesn't apply to.

If a benefit you give an employee is a fringe benefit, you'll generally be liable for FBT.

If you don't intend to provide any fringe benefits, you need to tick No on the *Employer registration (IR 334)* form. If this situation changes and you start providing fringe benefits, you'll need to contact us.

If you intend to provide fringe benefits and you tick Yes on the *Employer registration (IR 334)* form, you'll be automatically registered for filing quarterly FBT returns. If your annual gross tax (excluding ACC earners' levy) plus ESCT deducted equals \$100,000 or less, you have the option of filing yearly returns.

- **Income year**—this return is for companies who have shareholder-employees. It covers the same period as the company's accounting year.
- **Annual return**—this return is for employers who elect to file annual returns for the year to 31 March.

If you want to file yearly FBT returns, select this option on the form.

Superannuation fund contributions

An employer's superannuation cash contribution is a monetary contribution made to a superannuation fund, by an employer, for the benefit of their employees.

If your employees ask you to make deductions from their wages and pay them to a superannuation scheme, these are not employer superannuation contributions.

A superannuation fund is a scheme that has been registered under the Superannuation Schemes Act 1989, or a KiwiSaver scheme that's registered under the KiwiSaver Act 2006.

Any contribution you make to an employee's superannuation fund, including KiwiSaver schemes and complying funds, will need to have ESCT deducted from it.

For more information on employer superannuation fund contributions see our *Employer's guide (IR 335)*.

Employer contributions to the following are liable for FBT:

- sickness, accident or death benefit funds
- life, pension, personal accident and sickness insurance policies
- an insurance fund of a friendly society
- funeral trusts
- superannuation schemes that aren't registered under the Superannuation Schemes Act 1989 or haven't had ESCT deducted.

Part 3 – Paperwork and payments

Records you need to keep

You must make sure your employees complete a *Tax code declaration* (IR 330) when they start working for you. You must keep completed IR 330s with your business records for seven years after the last wages payment is made to the employee.

Each payday you need to record wage details for each employee. You need to show:

- the employee's total gross earnings, including taxable allowances (the amount before any of the following amounts are deducted)
- the amount of PAYE, including tax on schedular payments
- any child support deductions
- any student loan deductions
- any extra student loan deductions requested by your employee or us
- any KiwiSaver deductions
- any KiwiSaver employer contributions
- any ESCT
- non-taxable allowances
- the net wage.

Using a payroll package, wagebook or spreadsheet is a good way of recording wage details.

How long to keep your records

You need to keep all your business records (including electronic) for at least seven years from the end of the tax year or the taxable period they relate to.

If you file your *Employer monthly schedule* (IR 348) electronically, you don't have to keep a paper copy, but you'll need to ensure you can reproduce the schedules you've sent us.

Your payroll records are a base for the data on the schedules and you must keep these records.

Paying PAYE to Inland Revenue

If your gross annual PAYE (including ESCT) is less than \$500,000, you must pay amounts deducted from your employees' wages to us each month. PAYE deducted in one month is due to be paid by the 20th of the following month.

If your annual PAYE (including ESCT) is \$500,000 or more, you must make your payments twice-monthly. The payment due date for PAYE and any deductions made during the 1st to the 15th of the month is the 20th of the same month. For PAYE and any deductions made from the 16th to the end of the month, payment is due on the 5th of the following month (except for 16 to 31 December, when payment is due on 15 January).

If the payment date falls on a weekend or national public holiday, you have until the next working day to make your payment.

If your payment is made late, you will be charged interest and may also be charged late payment penalties and non-payment penalties.

Payment forms

You can file your payment form *Employer deductions (IR 345)* online. If you don't file online we'll send you an IR 345 in time for each payment due date. The payment forms will have your name, address, IRD number, the period end date and the due date preprinted on them. You'll need to complete the details of any deductions made for the period.

Employer monthly schedules

As well as making your payment to us you'll need to send in an *Employer monthly schedule (EMS/IR 348)* once a month. For employers who pay monthly, the schedule is due at the same time as your monthly payment, which is on the 20th of the following month.

Twice-monthly payers must file an EMS once a month, covering the whole month. You must still make payments twice-monthly. The schedule is due on the 5th of the following month. You'll need to file your EMS electronically using ir-File at www.ird.govt.nz "Secure online services".

If you don't file your schedule on time you may be charged a late filing penalty.

For each employee on the schedule you'll need to show the following monthly details:

- gross earnings
- PAYE, including tax on any schedular payments
- any earnings not liable for ACC earners' levy
- any child support
- any student loan deduction
- any extra student loan deductions requested by your employee or us
- any KiwiSaver deductions
- any KiwiSaver employer contributions (net of any ESCT)
- start and finish dates if an employee starts or stops working for you during the month
- any lump sum payments that were taxed at the lowest rate.

When you start employing you'll need to complete each employee's name, IRD number and tax code on the schedule. These details will be preprinted on your schedules when we send them to you.

Note

ESCT is not shown on the EMS. The rolled-up monthly ESCT total is placed on the *Employer deductions (IR 345)* form.

Electronic filing

You can file your EMS and *Employer deductions (IR 345)* form electronically. The service enables you to send your monthly payroll details to us over a secure internet connection and it's fast and efficient.

If your annual PAYE (including ESCT) is \$100,000 or more, you must file your EMS electronically using ir-File.

To register or view a demonstration for ir-File go to www.ird.govt.nz "Secure online services".

Part 4 – Services you may need

Tool for business

This online interactive tool lets you find out what you need to know for your business. Go to www.ird.govt.nz (keyword: tfb).

Business tax information officers and kaitakawaenga Māori

Business tax information officers (BTIOs) offer a free business tax information service to new businesses and organisations to help them meet their tax responsibilities. This service is available to individuals and groups.

Most of our offices also have a kaitakawaenga Māori who can advise Māori organisations and individuals on their tax responsibilities. Our BTIOs and kaitakawaenga Māori will tell you:

- which taxes you need to know about
- what records you need to keep
- how to complete your tax returns (eg, GST and employer returns)
- when to file returns and make payments.

Find out more about these services and our free seminars at www.ird.govt.nz or by calling us on 0800 377 774.

0800 self-service numbers

This service is available seven days a week (any time, except between 5 am and 6 am) for a range of self-service options. Remember to have your IRD number with you when you call.

For personal information, such as account balances, you'll also need a personal identification number (PIN). You can get a PIN by calling 0800 257 777 and following the step-by-step instructions.

- Order publications and taxpacks 0800 257 773
- Request a summary of earnings 0800 257 778
- All other services 0800 257 777

Need to talk to us?

You can call us on these numbers:

General tax, tax credits and refunds	0800 227 774
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're here to take your call between 8 am and 8 pm Monday to Friday and Saturday between 9 am and 1 pm. Remember to have your IRD number with you when you call.

For more information go to www.ird.govt.nz (keywords: contact us).

Customer service quality monitoring

As part of our commitment to providing you with a quality service, we record all phone calls to and from our contact centres. Find out more about this policy or how to access your recorded information at www.ird.govt.nz

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your liabilities or your entitlements under the Acts we administer. We may charge penalties if you don't.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them
- Statistics New Zealand (for statistical purposes only).

If you ask to see the personal information we hold about you, we'll show you and correct any errors, unless we have a lawful reason not to. Call us on 0800 377 774 for more information. For full details of our privacy policy go to www.ird.govt.nz (keyword: privacy).