

Payroll News

Issue 103
December 2007

Welcome to Payroll News

In this issue we tell you how to calculate holiday pay, and our call centre opening hours over the holiday season.

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.

Calculating holiday pay

Over the holiday season some of your employees may take a holiday and be paid holiday pay—here's a reminder about how to calculate PAYE on holiday pay.

Since 1 April 2007, employees have been entitled to a minimum of four weeks' annual leave on the anniversary of the date they started working for you. For further information go to www.ers.dol.govt.nz or call the Department of Labour on 0800 209 020.

To calculate the PAYE on your employees' holiday pay:

1. Divide the total amount payable by the number of weeks' holiday your employee is taking.
2. Calculate the PAYE on the weekly amount. You can do this by using the PAYE calculator 2008 at www.ird.govt.nz or by using the *Weekly and fortnightly PAYE deduction tables (IR 340)*.
3. Multiply the week's PAYE by the number of weeks' holiday your employee is taking.

This is the total PAYE to deduct from the gross holiday pay.

Example

Amelia is going on holiday for four weeks. Her average weekly earnings are \$700. She has also joined KiwiSaver and has 4% deductions made from her pay.

Four weeks' gross holiday pay \$ 2,800.00

To calculate the PAYE on this holiday pay:

Divide by 4 to get weekly amount	\$ 700.00
PAYE on \$700 using M tax code	\$ 145.13
KiwiSaver deductions	\$ 28.00
Total PAYE on holiday pay (4 x \$145.13)	\$ 580.52
Total KiwiSaver deductions (4 x \$28.00)	\$ 112.00

8% wages as holiday pay

If your employee:

- has a fixed-term employment agreement of less than 12 months
- is a casual employee, or
- ceases to work for you and has only accrued part of their leave entitlement

you'll need to calculate holiday pay using 8% of their gross earnings.

Calculate the PAYE as follows:

- Break down the payment into weekly amounts, based on the normal weekly wage.
- Calculate the PAYE using the weekly PAYE tables—see step 2 above.

Example

Regan has ceased working for Nicmatt Ltd after nine months. As he had no paid leave during the nine months, he's entitled to 8% of the \$35,000 he has earned during this time. His holiday pay calculation is:

Gross earnings	\$ 35,000.00
Multiplied by 8%	\$ 2,800.00
Gross earnings divided by 39 weeks = weekly wage	\$ 897.44
PAYE on \$897.44 using the M tax code	\$ 209.01

The \$2,800 holiday pay Regan receives amounts to just over three weeks of his normal weekly wage.

Three weeks' average pay @ \$897.44	\$ 2,692.32
PAYE deductions for the three weeks @ \$209.01	\$ 627.03
Balance of Regan's holiday pay (\$2,800 - \$2,692.32)	\$ 107.68
PAYE using weekly tax tables	\$ 17.44

Gross holiday pay	\$ 2,800.00
Less total PAYE deductions	\$ 644.47
Regan's holiday pay is	\$ 2,155.53

Call centre opening hours

Our business hours for phone enquiries over the holiday season are:

Saturday	22 December	9 am – 1 pm
Sunday	23 December	Closed
Monday	24 December	8 am – 5 pm
Tuesday	25 December	Closed
Wednesday	26 December	Closed
Thursday	27 December	8.30 am – 5 pm
Friday	28 December	8.30 am – 5 pm
Saturday	29 December	Closed
Sunday	30 December	Closed
Monday	31 December	8.30 am – 5 pm
Tuesday	1 January	Closed
Wednesday	2 January	Closed
Thursday	3 January	Normal hours

Our normal hours of service (8 am to 8 pm weekdays and 9 am to 1 pm Saturdays) will resume from 3 January 2008.

Child Support holiday period opening hours

Our Child Support employer freephone line will close for the holiday period from 5 pm on Monday 24 December and re-open at 8 am on Thursday 3 January 2008.

You can call us on 0800 220 222 from 3 January between 8 am and 5 pm weekdays.

You can also visit www.ird.govt.nz/childsupport for general information about child support.

Payment due dates for December returns

Your *Employer deductions (IR 345)* or *(IR 346)* form and payment for December are due on 20 January 2008. As this falls on a Sunday, the due date will be Monday 21 January.

If you pay your employer deductions monthly, your *Employer monthly schedule (IR 348)* is also due on Monday 21 January.

As Wellington Anniversary Day falls on Monday 21 January, payments and returns made by employers in the Wellington region on Tuesday 22 January 2008 will also be treated as being received on time.

Large employers who pay twice a month

If you pay your deductions twice a month, your *Employer deductions (IR 345)* or *(IR 346)* form and payment for wages paid between the 16th and 31st December are due on 15 January 2008. Your *Employer monthly schedule (IR 348)* for all of December is also due on 15 January.

KiwiSaver changes affecting you

In previous editions of *Payroll News* we've told you about changes announced in Budget 2007. These changes are due to become law this month.

The major changes affecting you are:

- From 1 April 2008, you'll be required to match the contributions of your employees who are members of KiwiSaver or a complying fund. The level of contribution will be phased in over four years, starting at 1% of an employee's gross salary or wage from 1 April 2008, rising to 4% by 1 April 2011.
- To offset contributions, you'll receive an employer tax credit of up to \$20 per week per employee. To minimise compliance costs and impacts on cash flow, these tax credits will be paid to you regularly through the PAYE system. The compulsory contributions won't cost you anything in their first 12 months unless you have employees who are registered for KiwiSaver and earn over \$104,000 gross per year.

When the legislation passes, we'll send you information about all these changes. To register for regular email updates go to www.ird.govt.nz/kiwisaver/employers

You'll receive a revised KiwiSaver employer guide in February detailing the new processes, and a sample of the revised KiwiSaver employee information pack.

For more information go to www.kiwisaver.govt.nz



Inland Revenue
Te Tari Taake

ir-File is moving

From early 2008, the website address for ir-File is changing. If you have the link saved as a favourite or bookmarked, you'll need to update this.

We're making some changes to the look and feel of the online services webpages, including improving the navigation and personalising menus.

When the online services are updated, you'll get to ir-File by logging in and selecting the "Submit returns" tab. ir-File will be a menu option.

Our website will have more detailed information about these online services improvements in January 2008.

Are you liable for FBT?

If you're providing benefits to employees or shareholder-employees, you may need to be registered for fringe benefit tax (FBT). Most benefits given to employees other than their salary or wages are fringe benefits. These include:

- The availability of a motor vehicle for private use. The motor vehicle doesn't have to be used for private use—its availability makes it liable.*
- Free, subsidised or discounted goods and services.*
- Low-interest loans, including advances, such as salary advances.
- Employer contributions to funds, insurance and some superannuation schemes.

* Some exemptions apply

For more information go to www.ird.govt.nz or if you think you may be liable and want to know more, call us on 0800 377 772.

You can also subscribe to our newsletter *FBTnews* at www.ird.govt.nz

Employer deductions (IR 345) and (IR 346) forms are changing colour

In August we changed the colour of the *Employer deductions (IR 345)* and *(IR 346)* forms from green to black and white. After feedback asking us to make the IR 345 and IR 346 easier to recognise, we've now placed green strips down the sides of the IR 345 and IR 346 to help make them easier to identify.



Alan Quinn
Manager
Customer Insight

**Wishing you a
safe and happy
holiday season**