

# Payroll News

Issue 104  
February 2008

## Welcome to Payroll News

In this issue we tell you about completing your employer monthly schedule, helping your employees choose the correct tax code and when you'll receive the new PAYE deduction tables.

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](mailto:payroll.news@ird.govt.nz) and we'll aim to cover it in a future edition.

## Completing your Employer monthly schedule (IR 348)

In August 2007 we made some changes to the *Employer monthly schedule (IR 348)*, one of which was to make the IR 348 double-sided.

Before you add employees' details to the IR 348 please make sure your employees' details are not on the reverse side of the IR 348. However, if your employee is new you'll need to add their details to the IR 348 and we'll preprint them on your IR 348 in the future.

If you'd like to complete your *Employer deductions (IR 345)* or *(IR 346)* and IR 348 online you can register to use ir-File at <http://www.ird.govt.nz/online-services/online-services-registration.html>

## Helping your employees to be square at the end of the year

Are your employees using the correct tax code? Do any of them have student loans?

In most cases, employees who have a student loan will complete their *Tax code declaration (IR 330)* showing one of the student loan tax codes ie M SL, S SL, SH SL or ST SL.

An employee with a student loan who only works part-time or during holiday periods may not need to use a student loan tax code, as their expected income for the tax year will be less than the student loan repayment threshold—currently \$17,784.

Part-time jobs can become full time jobs and employees often forget to give their employer an updated IR 330. We contact employees who are using an incorrect tax code and ask them to complete a new IR 330 and give this to you. Sometimes, however, this doesn't happen and the employee ends up with an unexpected tax and/or student loan bill to pay at the end of the year.

## How you can help

If you're increasing an employee's hours or paying them a bonus, check with them that the tax code they used on their IR 330 is still the right tax code for their current circumstances.

Remember, when paying lump sums or bonuses to employees who have elected a student loan tax code, you're required to deduct both PAYE and student loan repayments from the total value of the payment. If you don't do this the employee will have an unexpected student loan bill to pay at the end of the year.

## Example

Jon has a student loan, is still studying at university and works fulltime at Bigdiggers construction during the 16 weeks he gets between semesters. Jon has elected tax code "M" on his *Tax code declaration (IR 330)* as his expected income of \$1,000 a week (\$1,000 x 16 weeks = \$16,000) is less than the student loan repayment threshold of \$17,784. Bigdiggers are extremely pleased with Jon's work and decide to give him a \$10,000 bonus at the end of his term of employment. Lois, Bigdiggers' office administrator, checks with Jon and finds out he has a student loan. She calculates his tax and student loan on the bonus as follows:

Earnings to date	\$ 16,000
Bonus	\$ 10,000
<b>Total income</b>	<b>\$ 26,000</b>
Less SL threshold	\$ 17,784
Income above SL threshold	\$ 8,216
Bonus	\$ 10,000.00
less tax @ 22.3%*	\$ 2,230.00
less S/L repayment on \$8,216	\$ 812.60
Jon's take-home bonus	\$ 6,957.40

\* When the combined total of the lump sum payment and the grossed-up annual value of the employee's income for the previous four weeks is \$38,000 or less.

**Note:** Jon would also have to make student loan repayments on any further income he receives in the current tax year.

## 2009 PAYE deduction tables

We'll send you your 2009 PAYE deduction tables in early March, unless you've told us that you don't want to receive them.

There are two sets of tables:

- 2009 Weekly and fortnightly PAYE deduction tables (IR 340)
- 2009 Four-weekly and monthly PAYE deduction tables (IR 341).

We'll send you the one(s) you require for your business.

Please use these deduction tables when calculating employees salary or wages from 1 April 2008. Remember, if you use the online PAYE deduction tables under "Forms and guides" and you have either "bookmarked" or added them to your "favourites", you'll need to update the link to the 2009 PAYE deduction tables from 1 April 2008.

If you prefer, you can calculate your employee's salary or wages at <https://interact2.ird.govt.nz/forms/paycalculator/?taxYear=2009> To calculate the amount to deduct from holiday pay go to <https://www.ird.govt.nz/cgi-bin/form.cgi?form=holiday2009> Please remember to update your bookmarks for these calculators as well.

## Website changes for online services

If you use ir-File or any of our other online services you can look forward to a better online experience in 2008. We're improving access for companies to our authenticated "Online Services".

Companies, trusts and partnerships will now be able to:

- register for our online services and have their online account activated by our staff straightaway
- manage and monitor their Inland Revenue accounts themselves by granting certain people (eg payroll officers, business partners, bookkeepers) access to some or all of the online services available, and suspending or cancelling access.

Other New Year changes to Online Services include:

- easier navigation
- consistent look and feel to all online services
- more online services.

Go to [www.ird.govt.nz](http://www.ird.govt.nz) for updates on when these changes will take place.

## Changes to IR numbers this year

As outlined in previous editions of *Payroll News*, between April and May this year our 8-digit IR number range will run out and we'll begin issuing 9-digit numbers to all new customers. There is no change for existing customers.

We've been working with all known payroll providers, banks and financial institutions to ensure their systems will be ready for the extended range.

Check with your payroll software provider if you're unsure whether your system is ready. For any other enquiries or questions, please email us at [number.extension@ird.govt.nz](mailto:number.extension@ird.govt.nz)

## Child support deduction notices

If you deduct, or have been asked to deduct, child support on behalf of an employee, we'll send you (in mid-March) a new child support deduction notice for every employee you deduct child support for. This is because paying parents are reassessed for the new tax year starting on 1 April.

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

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

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
- individual deduction notices and a consolidated deduction notice.

You may find it easier to process deduction notices if they are sent in one of the above formats. If you'd like to change the format of your child support deduction notices please call us on 0800 220 222.



## Employer contributions to KiwiSaver schemes from 1 April 2008

From 1 April 2008 you'll be required to make employer contributions to your employees' KiwiSaver scheme or complying fund.

You must contribute a minimum of 1% of your employee's salary or wages—you can contribute more if you wish. The amount you must contribute will increase by 1% every year until it reaches 4% in 2011.

To help you with the cost of contributing to your employees' KiwiSaver schemes you can receive an employer tax credit of up to \$20 a week for each employee you contribute to. To work out your employer tax credit you'll need to take the lesser of:

- the amount you contributed to your employees KiwiSaver or complying scheme, or
- \$20

### Example

Regan employs Matt who is a KiwiSaver member—Matt receives a gross salary of \$1,000 a week. Regan's 1% contribution to Matt's KiwiSaver scheme is \$10 a week.

For the month of April, Regan pays weekly wages four times so his contribution to Matt's KiwiSaver totals \$40. As Regan's weekly contribution to Matt's KiwiSaver scheme is less than the maximum \$20 per week, he claims an employer tax credit of \$40 (ie four weeks at \$10 per week).

From April, your *Employer deductions (IR 345)* form will have additional boxes where you will show your contributions to employees' KiwiSaver schemes and to claim your employer tax credits. To claim your credit subtract the amount of the employer tax credit from the total deductions and pay us the balance.

A handwritten signature in black ink, appearing to read 'Alan Quinn'.

Alan Quinn  
Manager  
Customer Insight