

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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Payroll giving – a new initiative

A new voluntary scheme for making donations—called “payroll giving”—will be available from 7 January 2010. The scheme will allow employees to make donations directly from their pay.



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Payroll giving, direct credit refunds, relocation payments and overtime meal and sustenance allowances, KiwiSaver contact centre hours, tax pooling, making tax payments on time, associated persons, volunteer payments, GST legislation changes, and compulsory employer contributions.

If you have any suggestions for topics you'd like covered in this newsletter, email BusinessTax.Update@ird.govt.nz

Lisa is developing a cure for Alzheimer's



GIVE AS YOU EARN

Payroll giving is an easy way to support a good cause. If your workplace offers payroll giving, you can make donations directly from your pay. For every dollar you donate you'll receive a third back as a tax credit in the same pay period.

Ask your employer for more information or visit www.ird.govt.nz/payrollgiving



As an employer, you can choose whether to set up payroll giving in your workplace 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 and employer deduction form electronically to offer payroll giving. If you're not filing electronically and want to watch a demonstration or register, go to www.ird.govt.nz "Secure online services".

We'll be writing to all employers in November with more details but here's a quick summary.

- Your employees can make donations to approved donee organisations directly from their pay.
- Payroll giving is voluntary—it's up to you whether to offer it to your employees.

- If you offer payroll giving, your employees can choose to join in.
- Your employees receive a tax credit of 33 $\frac{1}{3}$ cents for each dollar they donate.
- Donations are collected by you and passed directly to the donee organisation.
- If your employees donate through payroll giving, they can't claim additional tax credits for these donations on the *Tax credit (IR 526)* form.

For more information on payroll giving go to www.ird.govt.nz (keywords: payroll giving employers).

Get faster refunds with direct credit to your bank

Did you know you can get your refund faster by a direct credit to your bank account instead of waiting for us to post you a cheque?

To set this up, send us your completed *Direct credit authorisation (IR 587)* form. You can complete the form online then print, sign and send it to us. Our address details are on the form. You'll find the IR 587 at www.ird.govt.nz under "Forms and guides".

When we receive your completed form we'll update your bank account to the tax types you've requested.

Remember to let us know if you change your bank account details so you always get refunds you're entitled to.



REMINDERS

Differences between casual agricultural workers and agricultural contractors

Now spring is here we're often asked what the difference is between a casual agricultural worker and an agricultural contractor.

Casual agricultural workers are employees who do casual seasonal work on a day-to-day basis, for no more than three months. They need to use the CAE tax code on the *Tax code declaration (IR 330)* form. When you calculate PAYE, use the flat rate in the PAYE tables under casual agricultural workers.

Agricultural contractors are independent contractors, not employees, and are subject to tax on schedular payments. The schedular payments tax rates are in the PAYE tables and on the back of the *Tax code declaration (IR 330)* form.

We're updating rules on relocation payments, and overtime meal and sustenance allowances

The tax rules around the treatment of relocation payments, overtime meal allowances and sustenance allowances from the 2002–2003 income year have been clarified to remove uncertainty about whether these payments to employees are tax-free. So, if you've taxed any of these since the 2002–2003 income year you may be entitled to a credit of overpaid PAYE.

Relocation payments

Work-related relocation payments made to your employees are tax-free provided all of the following conditions are met:

- Your employee's relocation is required as the result of:
 - taking up new employment with a new employer, or
 - taking up new duties for you at a new location, or
 - continuing in their current position but at a new location.
- Your employee's existing home is not within reasonable travelling distance of their new workplace (unless accommodation is provided as part of the job).
- The expense is on the list of eligible relocation expenses.
- The payment is no more than the actual expenditure incurred.
- The expenditure is incurred before the end of the tax year in which your employee relocates following the tax year in which the relocation occurs.

Overtime meal allowances

For these payments to be tax-free all of the following conditions must be met:

- Either your employee's employment contract specifies they're eligible for a payment for overtime hours worked, or you must have a policy or practice of paying an overtime meal allowance.
- The amount paid must be the actual cost incurred by your employee, with receipts/invoices for amounts over \$20 per meal, or a reasonable estimate of the expenditure likely to be incurred.

- Your employee is required to have worked at least two hours overtime on the day of the meal.

Sustenance allowances

For sustenance allowances to be tax free, all of the following criteria must be met:

- You have an established policy or practice of paying sustenance allowance.
- Your employee must work a minimum of seven hours on the day.
- Their employment requires them:
 - to work outdoors and away from their employment base for most of the day,
 - to undertake a long period of physical activity in travelling through a neighbourhood or district on foot or by bicycle.
- It's not practicable for you to provide sufficient sustenance on the day for the period when your employee is working outdoors.
- The allowance recognises:
 - the demanding physical nature of your employee's work, and
 - you would normally provide tea, coffee, water, or similar refreshments at their place of employment.

The rules changed from the 2002–2003 income year. So, if you've taxed payments of relocation payments, overtime meal allowances or sustenance allowances that meet all of the above requirements in the past, you may be entitled to a credit for overpaid PAYE. Where these payments have been claimed as a business expense for income tax purposes, an adjustment may be required in the corresponding income tax returns.

You can make the PAYE adjustment by completing an *Employer monthly schedule amendments (IR 344)* form for the return periods affected. You'll also need to advise us in writing about any adjustments required to your income tax returns. Before making these adjustments you may wish to discuss this with your accountant or business advisor.

KiwiSaver 0800 number change of hours

From 2 November 2009 our KiwiSaver contact centre hours will change.

KiwiSaver contact centre hours	0800 numbers
Monday to Friday 8 am to 6.30 pm Closed Saturday	0800 549 472
Monday to Friday 8 am to 6.30 pm Closed Saturday	0800 377 772 option 1 KiwiSaver employers
Monday to Friday 8 am to 6.30 pm Closed Saturday	0800 549 470 option 2 Scheme providers



What if I can't make my tax payments on time?



If you think you may have difficulty paying your tax, call us on 0800 377 771 to discuss your circumstances.

In the lead-up to Christmas and the holiday

season you may be faced with more than the usual number of bills and your accountant may be going on holiday as well. It can be a challenging time managing costs.

We have options if you can't pay the full amount by the due date. Please call us as soon as you can on 0800 377 771.

Payment options

Paying your tax by the due date is still the best option. However, if you're unable to pay your tax in full and on time, we can work with you for the best options for paying the amount due. We take your individual circumstances into account when we do this. We may consider options such as paying by instalments, if payment in full would result in hardship.

By contacting us early and entering into an instalment arrangement before the due date, you can avoid being charged the 4% late payment penalty. You'll still be charged the initial 1% penalty and interest on the tax owing, but no further penalties will be charged during the term of the arrangement, provided the instalments are paid on time.

Continue to file your return on time

Even if you can't make the payment, you still need to send your return in on time to avoid late filing penalties. The penalties for late filing are separate to late payment penalties. The late filing penalty is charged at a flat rate for each *Employer monthly schedule (IR 348)*.

For more information on payment options go to www.ird.govt.nz (keyword: debt).

We're cutting down on paper statements and notices

We're taking steps to save you time and reduce the volume of paper we send out by decreasing the number and type of notifications we issue.

Here are some examples of the types of changes being made:

- we'll send statements that show the transactions made on your account from the date of your last statement
- we won't send statements and notices that show a \$0.00 balance
- we won't send notices of refunds if you've asked us by phone or letter to send the money to your bank account.

You can view your account transactions online through "Look at Account Information service". If you haven't registered yet, you can do so at any time through our online services, go to www.ird.govt.nz "Get it done online", "Look at Account Information service".

An update on associated persons

From the 2010–2011 income year, changes to the associated person's definitions can impact on the provision of fringe benefits to employees or associates.

Where an entity, particularly a trust, had been placed between the employee and employer, and the entity was previously considered not to be an associated person, under the new rules the entity will probably be an associated person.

The new rules apply to land acquired on or after 6 October 2009, and for persons involved in a building business, when improvements are commenced from that date.

There are a number of other changes to the associated person's definitions. More information is in the special report "New definitions of 'associated persons'" at <http://taxpolicy.ird.govt.nz>

Online tools – "Tool for business"

Our "Tool for business" is an interactive online tool to help you understand business tax and our requirements.



The new "Tool for business" webpage

The "Tool for business" will help you understand business tax, quickly and simply. It's free, interactive, easy to use and covers these questions:

- How do you start a business?
- What records do you need to keep?
- How does tax work?
- Do you need to register for GST?
- What do you do if you employ someone?

They're many useful links and resources, such as podcasts, templates and animations on a range of topics, such as calculating employee deductions and registering for GST.

You'll find it at www.ird.govt.nz (keyword: tfb).

Changes to tax for volunteer payments

New legislation has changed the tax treatment for volunteer payments from the 2009–2010 income year.

There are two types of payments volunteers may receive: reimbursements for expenses and honoraria for services.

Reimbursements

Reimbursements for actual expenses incurred during volunteer activities are exempt income for the volunteer and are tax free. Reimbursement payments may be based on actual expenditure or a reasonable estimate of an expense likely to be incurred by a volunteer.

Honoraria

Honoraria are payments made for services provided. They are schedular payments. Therefore PAYE rules apply to the payment and these payments are taxed.

Combination honoraria and reimbursement

If the payment is a combination of honoraria and reimbursement of expenses incurred, and the honoraria and the reimbursement portions are clearly identified and recorded, the honoraria will be subject to tax as a schedular payment and the reimbursement will be tax free.

If there's no distinction between the honoraria and the reimbursement then the entire payment is treated as an honorarium and subject to tax as a schedular payment.

Note: For the purpose of these rules, a volunteer is someone who freely undertakes an activity in New Zealand, chosen either by themselves or by a group of which they are a member, that benefits others without benefiting themselves.

How much is your compulsory employer contribution?

New legislation has clarified the situation where an employee is a member of a registered superannuation scheme (RSS) as well as a KiwiSaver scheme.

If you offer an RSS and your employee is already a member of that scheme, your contributions to the RSS are taken into account when working out your KiwiSaver compulsory employer contribution (CEC). You only have to make a top-up payment if the rate of the payments to your employee's scheme is less than the CEC rate for KiwiSaver, currently 2%.

GST legislation changes – a quick summary

Here's a quick summary of new GST legislation changes effective from 6 October 2009.

GST on exported secondhand goods now zero-rated

If you're an exporter (or an associate of an exporter), GST at 12.5% was charged on exported secondhand goods.

Exported secondhand goods are now zero-rated if the:

- goods are exported
- goods leave New Zealand within 28 days of the time of supply, and
- the receiver of the goods provides a declaration (for example, the sale and purchase agreement or other sales document) that they will not cause the goods to be re-imported to New Zealand.

GST must still be charged if **all** the following requirements are met:

- the exported goods were previously zero-rated
- the goods are subsequently imported into New Zealand
- the goods are re-acquired by the exporter in a condition that is substantially the same as when the goods were zero-rated
- the exporter had claimed a secondhand goods input tax deduction in connection with the original export of the goods.

GST and Emissions Trading Scheme

New legislation changes the GST treatment of the various types of emission units and transactions.

Information on the rules and a table setting out how to treat the transactions are in the special report "GST changes relating to the Emissions Trading Scheme" at <http://taxpolicy.ird.govt.nz>

Example

Employer contribution	RSS	CEC
% contribution	2%	2%
\$ contribution	\$160	\$160

In this example you are not required to pay CEC as the 2% criteria has been met.

You can make additional voluntary contributions over the 2% rate if you choose.

