

Payroll News

Issue 98
July 2007

Welcome to Payroll News

In this issue we tell you about delaying the ir-File enhancement, provide information on KiwiSaver; answer your questions about KiwiSaver; tell you what we are doing to improve the timing of the updates you provide on your *Employer monthly schedule* and remind you about your provisional tax payment.

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.

Delay in ir-File enhancement

In the June edition of *Payroll News*, we advised those of you that use ir-File that from July we would no longer send you paper *Employer deduction (IR 345/346)* forms and that you would be required to file these electronically. As the result of feedback received we have delayed our decision to stop sending paper *IR 345/346*'s. You will continue to receive paper *IR 345/346*'s, you can either mail these back to us or you can file them through ir-File.

KiwiSaver

From 1 July you need to make KiwiSaver available to all your employees. You need to provide a *KiwiSaver employee information pack (KS 3)* to all new employees (unless you've received an exemption from the Government Actuary) and any existing employees who ask you about KiwiSaver.

During May and June you should have received a *KiwiSaver employer guide (KS 4)* which explains your obligations and some *KiwiSaver employee information packs (KS 3)* to give to your employees. If you haven't received your KS 4 or KS 3 packs you can order them by calling INFOexpress on 0800 257 773 or view them at www.ird.govt.nz

New employees

Any permanent new employees who are eligible to join KiwiSaver will be automatically enrolled (unless your business has received an exemption from KiwiSaver).

You're required to make KiwiSaver deductions from their salary or wages, starting from their first pay.

If your new employees want to opt out of KiwiSaver they need to complete a *New employee opt-out request (KS 10)* form and give it to you. You can only act on it when they have been employed for two weeks and up to eight weeks. You can then stop deductions from their next pay. If you receive a KS 10 outside this timeframe, send it directly to us and continue to make deductions until we advise you otherwise. The KS 10 can be found at the back of the KS 3, or employees can complete it online at www.kiwisaver.govt.nz

If your employee opts out after you've made KiwiSaver deductions you can either refund the KiwiSaver deductions to them (if you haven't sent them to us) or we'll refund your employee directly when we receive their KS 10.

Existing employees

Any existing employees who want to join KiwiSaver will need to let you know. You are then required to make KiwiSaver deductions at either the 4% or 8% rate as specified by them from their next pay.

All employees who have enrolled in KiwiSaver

You'll need to complete the *KiwiSaver employee details (KS 1)* form for all employees who enrol in KiwiSaver and post them to us with your next *Employer monthly schedule (IR 348)*. If you use ir-File you can complete the KS 1 online.

To work out the amount of KiwiSaver deductions to make from your employees' wages you can use:

- the 2008 Weekly and fortnightly PAYE deduction tables (IR 340) or 2008 Four-weekly and monthly PAYE deduction tables (IR 341)
- our online PAYE calculator 2008—this calculates your employees PAYE, student loan and KiwiSaver deductions, and is available at www.ird.govt.nz > work it out > PAYE
- your payroll package—your payroll provider should have sent you an updated version that calculates KiwiSaver deductions and any KiwiSaver employer contributions you want to make.

When you receive your next *Employer deductions (IR 345)* or (*IR 346*) and *Employer monthly schedule (IR 348)* form you'll notice we have added boxes/columns for KiwiSaver information.

KiwiSaver—questions we've been asked

When do I start using the new version of the *Employer monthly schedule (IR 348)* with the KiwiSaver columns?

Employer monthly schedules (IR 348) with KiwiSaver columns will be sent to you at the beginning of August for employers who pay their PAYE monthly (due the 20th of month). The IR 348 is for you to record the monthly salary and wage details from the previous month—in this case July 2007.

If you are a large employer you need to complete these details using ir-File by the 5th of the following month.

How do I send the *KiwiSaver employee details (KS 1)* form to you?

You can post these to us at any time but we must receive them either before or with your next *Employer monthly schedule (IR 348)* or if you're registered for ir-File you can complete your KS 1 online.

When do I start sending the *KiwiSaver new employee opt-out request (KS 10)* form to you?

You can send the KS 10 form to us at any time but we must receive the KS 10 either before or with your next *Employer monthly schedule (IR 348)*, or if you're registered for ir-File you can complete your KS 10 online.

We have several employees who have opted to sacrifice salary and we pay their superannuation premiums. Currently, we deduct Specified superannuation contributions withholding tax (SSCWT) and pay this to you. Does KiwiSaver have any impact on these payments?

From 1 July 2007 any contributions you make to a KiwiSaver scheme (or a complying superannuation fund) are exempt from SSCWT to the lesser of the employee's contribution or 4% of the employee's gross salary.

How do I know if my existing superannuation fund is a complying superannuation fund?

Any superannuation fund providers can apply to be a complying fund through the Government Actuary. Your superannuation fund provider will let you know if they intend to make your fund a complying superannuation fund similar to KiwiSaver.

Further questions

If you have further questions about KiwiSaver, you can go to www.kiwisaver.govt.nz or call us on 0800 549 472.

Budget announcements

Budget 2007 announced significant enhancements to KiwiSaver.

Some of these have been passed by Parliament and are law. Others are proposals which are going through the legislative process.

KiwiSaver enhancements passed by Parliament

From 1 July 2007, employer contributions to KiwiSaver must be made through Inland Revenue, not direct to a scheme provider.

From 1 July 2007 all members will receive a tax credit of up to \$20 a week (\$1,040 a year) that will be paid directly into their KiwiSaver account.

Proposed KiwiSaver enhancements—subject to legislation being passed by Parliament

From 1 April 2008, all employers will be required to match employee contributions to KiwiSaver (or a complying superannuation fund) up to a maximum of 4% of the employee's gross salary or wages. This will be phased in over four years, starting with 1% of gross salary and moving by 1% per year to reach 4% by 1 April 2011.

From 1 April 2008, these employer contributions will be eligible for a matching employer tax credit of up to \$20 a week (\$1,040 a year) per employee, this tax credit will be off-set against the KiwiSaver contributions you make.

The above changes relating to employers are proposals only and not law. Legislation has been referred to Parliament's Finance and Expenditure Committee. It is expected to be passed later this year. You can view the Bill and commentary by going to www.taxpolicy.ird.govt.nz

Visit www.parliament.nz if you would like to find out how to make a submission to the Select Committee. Submissions close on 12 July 2007.

Note

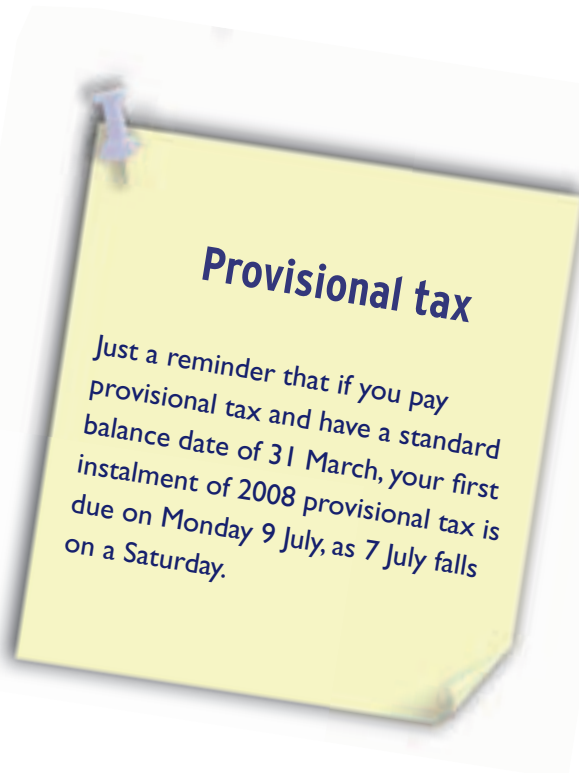
More budget information can be found at www.treasury.govt.nz

For more information about KiwiSaver and employers go to www.ird.govt.nz/kiwisaver/employers

Improving timing of updates to Employer monthly schedules (IR 348) (EMS)

In the May edition of *Payroll News* we advised you that any updates you make to your EMS can take up to two months to appear, due to the timing of the creation of the next EMS.

The delay in updating schedules has been an inconvenience to many of you and a concern to us, so in an effort to show updated information on the EMS we will delay printing by four or five days. This will allow us time to capture more of your updates before we create the next EMS. From next month on you will receive your EMS approximately five days later than you have in the past.



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Inland Revenue
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