

Payroll News

Issue 105
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Welcome to Payroll News

In this issue: the new-look IR 345, ways you can help us process your KiwiSaver contributions more efficiently, and prescribed investor rates.

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.

Claim your employer tax credit using the new-look IR 345

We're updating the *Employer deductions (IR 345)* form to reflect the introduction of compulsory employer contributions (CEC) and the employer tax credit (ETC). The new form replaces both the existing IR 345 and IR 346 forms.

You **must** send us the new form to claim the ETC.

From 1 April 2008 you'll need to make compulsory employer contributions to your employee's KiwiSaver scheme or complying fund if:

- the employee is having KiwiSaver contributions deducted from their salary or wages, and
- the employee is between 18 years old, and the age of eligibility for withdrawing from KiwiSaver or a complying fund.

Note

- Employer contributions made to existing superannuation schemes may count as compulsory employer contributions.
- KiwiSaver employer contributions are paid to Inland Revenue through the PAYE system. Complying fund contributions are paid direct to the scheme.

When you make contributions you can claim an employer tax credit of up to \$20 per member per week or the amount contributed by you, whichever is the lesser. You can claim the employer tax credit for both compulsory and voluntary employer contributions to KiwiSaver schemes or complying funds.

If you take on a new employee who you enrol in KiwiSaver (or who is already enrolled), you can claim the ETC from the first pay day.

You'll use the new IR 345 from the April 2008 period. The ETC is offset against the payment due and the net amount is paid to Inland Revenue.

We'll mail you the new-look IR 345 in time for your April deductions. It has no employer (carbon) copy so you'll need to make a photocopy of the form for your records. Or, if you're registered for ir-File, we recommend you file the IR 345 online. But if you do, please don't send us a paper copy as well. Duplicate forms have caused problems in the past.

IR 345s filed online are processed every day at 11am. If you need to retract your IR 345 for any reason—perhaps you made a mistake—you need to do so by 10.59am. Once your IR 345 is successfully retracted, you can file the correct version straight away. Please phone your account manager if you miss the cut-off.

For more information, please refer to our website, www.ird.govt.nz, **Payroll specification document 1 April 2008 to 31 March 2009**, or your revised *Employer guide (KS 4)* which was sent to all employers in February.

Updated KiwiSaver employer guide and employee information pack

Last month, we told you about the legislation changes to KiwiSaver, including compulsory employer contributions and the employer tax credit. By now you should have received the updated *Employer guide (KS 4)* and *Employee information pack (KS 3)*—both dated February 2008—which cover these changes in more detail. To request additional copies of these, please call our automated telephone service INFOexpress on 0800 257 773 and have your IRD number handy. It's important that you stop using any earlier versions.

Processing contributions

There are a number of steps you can take to ensure the correct processing of employee and employer contributions. Getting this right will mean less delay in KiwiSaver contributions being passed to scheme providers or refunded.

- Please file your employer monthly schedules (EMS) on time. No contributions can be passed to providers until we have received the money and processed the schedules.
- Ensure all details and payments on your EMS schedules are correct before sending them to us. Constantly amending the schedule will prevent the employee and employer contributions from being passed to providers.
- Send us the *New employee details (KS 1)* form before you send your EMS schedules so we can set up an account for the KiwiSaver member's contributions we receive with your EMS. Not sending us the KS 1 form beforehand will make the EMS schedule go into error and need to be cleared manually, resulting in a delay.
- Use the correct name and IRD number for each employee every month. An incorrect spelling or IRD number will cause the EMS schedule to go into error and have to be cleared manually, resulting in a delay.
- Please do not opt out your new employees—new employees must opt out themselves. And if you send us an *Employer Monthly Schedule amendments (IR 344)* form to adjust an employee's deduction to a zero balance, this will hold up the contributions being passed to a scheme provider.
- Make sure you're not deducting more than 8% of an employee's gross salary or wage. If an employee wants to contribute more they will need to pay this directly to their scheme provider.

PAYE deduction tables from 1 April 2008

We're in the process of sending out these PAYE deduction tables for the year ending 31 March 2009:

- *Weekly and fortnightly (IR 340)*
- *Monthly and four-weekly (IR 341)*.

The rates in the tables apply from 1 April 2008. Please use these tables for pay periods ending on or after 1 April 2008.

If you haven't received your deduction tables by mid-March or you haven't received the tables you require, call us on 0800 377 772. Have your IRD number handy.

If you're a company with an annual turnover of \$100 million or more or you're a customer subject to special legislation, eg mining and crown entities, please call us on 0800 443 553.

From 1 April 2008 employees who have a student loan and use the M SL tax code can earn up to \$18,148 (\$349 per week) before having student loan deductions made.

From 5 March the new deduction tables will be available on www.ird.govt.nz or you can get copies by calling INFOexpress on 0800 257 773.

Please use the 2009 deduction tables for pay periods ending on or after 1 April, or use our online calculators under **Work it out > PAYE > PAYE calculator 2009**.

If you use a payroll provider these changes should be incorporated into your payroll package for pay periods ending on or after 1 April 2008.

Prescribed investor rates (PIRs)

Since October 2007, you may have heard a new term mentioned in your workplace—the prescribed investor rate or PIR. A PIR is used by people who invest in a new type of New Zealand-based investment entity called a portfolio investment entity (PIE).

While PIRs are specific to investors and shouldn't need to be discussed with an employer, we've recognised two situations where PIRs might impact on you as an employer. We've noted both of them below.

Taxable income and establishing a PIR

Part of the process in determining an investor's PIR involves the investor establishing their taxable income for the previous two income years. As their employer, you may be asked to help confirm an employee's taxable income.

They'll want to know their total taxable (gross) income for the last two years ending 31 March. You can provide them with the details of the income they earned while working for you in each of those years. You should also remind your employee to include any other income made in those two income years when working out their total taxable income for each year.

An employee can also request a summary of earnings from Inland Revenue, which will show their total taxable income for the last year.

PIRs should be provided to an investor's PIE

An investor in a PIE which requires a PIR should provide this to their PIE directly. PIRs should not be provided to Inland Revenue or to you as an employer.

Further information about PIRs

For information about PIRs, including working examples, go to <http://www.ird.govt.nz/toii/pir>



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Inland Revenue
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