IR 339

# Payroll NEWS

Issue 41 Payroll News April 2002

## Welcome to Payroll News

In this issue we remind you about changes to the process of collection of ACC residual claims levy, tell you about changes to the way you fill out FBT returns, and remind you of your obligations with certificates of exemption.

Please pass this newsletter on to the person who deals with the payroll in your business.

## ACC residual claims levy – change in the collection process

This is just another reminder that employers don't have to file a *Residual claims levy statement (IR 68A)* with Inland Revenue at the end of next month.

Instead, we will provide the Accident Compensation Corporation (ACC) with the following totalled-up information from employer monthly schedules for the year ending 31 March 2002:

- Gross earnings
- Earnings not liable for earner premium (including withholding payments)
- Earnings exceeding the prescribed ACC maximum threshold for the year ending 31 March 2002 (the prescribed maximum is $85,795 for each employee).

ACC will use a combination of this information and historical data to determine the liable earnings on which both employer and residual claims levies will be billed. Employer invoicing from ACC will commence in July.

In early March ACC sent all employers the ACC annual employer levy chart. This chart outlines the changes in detail. If you need a copy or have any other queries, contact ACC on 0800 222 776.

## New look FBT returns

If you file quarterly IR 420 or annual IR 422 FBT returns, you will shortly receive your return for the quarter or year ended 31 March 2002.

You will notice that the return is different from your last one. The main changes are set out in the next column.

### Taxable benefits

In previous returns we asked you to tell us on the return the types and values of taxable benefits that you had provided during the period, for example, motor vehicles and low-interest loans. This information was recorded in Boxes 4A to 4D of the return and then totalled in Box 5. We have removed Boxes 4A to 4D and now you only need to give us the total of all taxable benefits provided during the period.

### GST on fringe benefits

To make it easier for you, the GST adjustment box for fringe benefits has been moved from the GST return to the FBT return. Now you simply include the GST adjustment when you prepare your FBT return—you no longer have to remember to include it in the corresponding GST return.

If you have a GST on fringe benefits adjustment to make for the 2001 to 2002 tax year, and you have not already made this adjustment on a GST return, include it in this FBT return.

### FBT taxable value calculation sheets

The FBT taxable value calculation sheets have been redesigned to assist you in the completion of the new FBT return. Although we no longer require the breakdown of the categories on the return, you are still required to record and keep the individual details of the different benefits provided.

### Due date

The due date for filing the IR 420 and IR 422 returns is 31 May 2002.

### For more information

You'll find information about all the changes in the *Fringe benefit tax return guide 2002 (IR 425)* that we'll send you with your return.

Inland Revenue
*Te Tari Taake*

## Reminder for employers to file their schedules on time

As you supply PAYE information for your employees on employer monthly schedules, you do not need to do an end-of-year reconciliation. It is vital that monthly schedules are accurate and filed on time so the information we give taxpayers on their end-of-year summary of earnings and personal tax summaries are accurate. Any inaccuracies could produce enquiries and delays for both employers and Inland Revenue.

We'd like to remind you that the schedule for the period ending 31 March is due to be filed by 20 April or 5 April if you are required to pay your deductions twice a month. This is the final schedule for the tax year 1 April 2001 to 31 March 2002, and we need it to accurately finalise the information that's provided to your employees.

## 2003 PAYE deduction tables

### Why have the tables changed to pay periods ending?

We have been asked to clarify why the 2003 PAYE deduction tables are for pay periods ending on or after 1 April 2002, rather than for paydays. The change from paydays to pay periods this year has occurred as the result of ACC legislation being aligned with the Income Tax Act. This now means when there is a change to either the tax rate or the ACC earner levy, pay periods are the determining factor as to which tax tables should be used around the time of the change.

### Which tables should you use?

- If the pay period ends before 1 April 2002 but the actual payday falls on or after 1 April 2002, use the old 2002 tax tables we sent you in March 2001.

*Example*

Paula is paid on 2 April for the fortnight from 16 March to 30 March. As the pay period ends before 1 April 2002, Paula's employer deducts PAYE using the old tax tables.

- For pay periods that end on or after 1 April 2002, use the new tables.

*Example*

Kym is paid on 4 April for the fortnight from 20 March to 3 April. Because the pay period ends after 1 April 2002, his employer deducts PAYE using the new tax tables.

### Start/finish dates on your employer monthly schedule

We've noticed that on some employer monthly schedules the start/finish date boxes are showing pay periods for employees. Remember, you are only required to show the date your employees started or finished working for you during the period covered by the schedule.

## A reminder about certificates of exemption

We'd like to remind you of your obligations as an employer, if a worker supplies you with a *Certificate of exemption (IR 331)*.

People who are in business for themselves, and who are subject to withholding tax, can apply to Inland Revenue for a certificate of exemption. If a worker has a certificate of exemption, you can make payments to them without deducting withholding tax. It cannot be used to exempt an employee's salary or wages from PAYE deductions.

Certificates of exemption are issued for one year only, and must be renewed by 1 April each year.

### Checking an IR 331

When you are shown a certificate of exemption, **you must check that it is valid and current.**

**The work the person is doing for you must be the same as the work shown on the certificate.** For example, if the certificate gives an exemption from freelance journalism income and you hire the person as a theatre prompt, the payments you make are not exempt.

**If the certificate is valid**, do not deduct withholding tax from payments you make to the holder. You do not need to include tax exempt payments on your *Employer monthly schedule (IR 348)*. You must, however, keep a record of these payments.

**If the certificate is not valid or current**, the worker must complete an IR 330 tax code declaration and you must deduct withholding tax from payments you make to them.

It is a good idea to keep a record of the certificate of exemption number or even a photocopy of the original, in case Inland Revenue reviews your records. You'll find the number at the bottom right-hand corner of the certificate. For information about certificates of exemption phone us on 0800 377 772.

### Special note for non-resident contractors

Non-resident contractors who receive contract payments must have withholding tax deducted, unless they hold a valid exemption certificate. However, from 1 April 2002, a non-resident contractor who is present in New Zealand for less than 62 days in any 12-month period will no longer require an exemption certificate. The payer will not be required to deduct withholding tax if the 62-day rule is met. Phone 04 802 6056 or email nr.contractors@ird.govt.nz with any enquiries.

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