

Payroll News

Issue 99
August 2007

Welcome to Payroll News

In this issue we tell you about a delay in KiwiSaver deductions being added to the PAYE calculator, answer more KiwiSaver questions, tell you about how to correctly tax "top-up" wage payments and thank you from Child Support.

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.

PAYE calculator - KiwiSaver deductions

In the July edition of *Payroll News* we said that you could calculate your employees' KiwiSaver deductions through our online PAYE calculator, under 'Work it out' on our website.

Due to unforeseen circumstances the KiwiSaver deduction changes to the PAYE calculator were not available on 1 July. However, you can still do these calculations using our 2008 *PAYE deduction tables (IR 340 and IR 341)* which you can view at www.ird.govt.nz. We apologise for any inconvenience.

KiwiSaver-questions we've been asked

What are my obligations as an employer?

Employers are required to:

- enrol all new employees who are eligible
- give employee information packs to new employees and existing employees who ask for one
- provide new employees with an investment statement if they have an approved alternative scheme
- send us details of new employees who are enrolled
- deduct KiwiSaver contributions and send them to us along with PAYE payments
- accept opt-out requests from employees within the 2-8 week opt-out period and notify us
- action employees' contributions holiday notices
- stop or start deductions when we advise you to.

How do existing employees opt in to KiwiSaver and choose their own scheme?

There are two ways an existing employee can join KiwiSaver:

1. By completing the *KiwiSaver deduction form (KS 2)* and giving it to their employer. Existing employees should only complete this form if they don't want to choose their own scheme. They'll be allocated to their employer's chosen scheme or to one of the default providers.
2. If the employee has decided which scheme to join they should apply directly to their chosen scheme provider. Their scheme provider will inform us that they have chosen a scheme and we'll pass this information on to employers so they can begin making deductions.

Which payments are considered salary or wages?

Gross pay means total salary, including:

- bonuses
- commission
- extra salary gratuity
- overtime, and
- any other remuneration of any kind before tax.

For the purposes of KiwiSaver deductions, salary and wages are the same as defined in the *Employer's guide (IR 335)*.

Is there a payroll subsidy available to help cover employer administration costs?

Yes. There is a subsidy of \$2 per employee each payday. This amount is paid to listed payroll intermediaries that carry out PAYE and related payroll functions for small employers with up to five employees.

You'll need to check with your payroll intermediary to see if they are registered with us to receive the subsidy. You can find payroll service providers in the yellow pages or at www.yellowpages.co.nz search for payroll services.

Language Line

This service is now available for KiwiSaver customers. It enables either you or your employees whose first or preferred language isn't English, to talk to us through an interpreter. A wide range of languages are offered. Call Language Line on 0800 549 472.

Paid parental leave changes from 1 July 2007

Paid parental leave payments (PPL) are made to mothers or adoptive parents for up to 14 weeks while they take parental leave from their job. We make these payments to the mother or adoptive parent's bank account each fortnight.

From 1 July, the maximum amount of PPL has increased to \$391.28 gross per week (previously this was \$372.12 gross per week).

To apply for PPL the expectant mother or adoptive parent needs to complete a *Paid parental leave application (IR 880)* form, if they're an employee. If your employee is also self-employed they need to complete a *Paid parental leave application for a self-employed person (IR 888)* form.

You'll find these forms and other information about paid parental leave at www.ers.dol.govt.nz/parentalleave or by calling the Department of Labour's Workplace Contact Centre on 0800 20 90 20.

"Top-up" payments of wages - correct tax code to use

In some circumstances you may "top up" an employee's salary or wages eg if your employee receives accident compensation (ACC) or paid parental leave (PPL) payments. Although an employee may only receive income from these sources for a short period of time, if the ACC or PPL is their main source of income, they need to use a primary tax code (M, M SL).

If you "top up" your employee's wages while they receive either ACC or PPL, use secondary tax code for the top-up payment you make to them **unless** the payment they receive from you is greater than the payment they receive from ACC or PPL.

Any employee who needs to change their tax code has to complete a new *Tax code declaration (IR 330)*.

Example

Sally receives \$600 from ACC and a top-up payment from you of \$100.

The ACC income should be taxed at a primary code (M, M SL etc) and the top-up payment from you should be taxed at a secondary code (S, SH etc).

Your employees can work out which secondary tax code to use by checking page 2 of the IR 330.

NOTE

If an employee uses a primary tax code on the ACC or PPL payment as well as the top up payment they'll end up with tax to pay at the end of the year.

Child support deduction notices

If you make child support deductions for your employees you may receive new child support deduction notices from us in late July or early August. We send out new notices for every employee who's had a change in the amount of child support they're required to pay. This happens because paying parents may be reassessed as part of the "salary and wages income finalisation (SWIF)"—explained below.

Every year, in February or March, we send child support assessments to paying parents. These assessments are based on the actual income earned between 1 April and 31 January (10 months) and estimated income for the following two months (February and March). In July, we compare the estimated income with actual income received. Where an employee's income has changed by more than \$500, the paying parent receives a new assessment.

The new deduction notice you receive tells you when to make deductions for your employee and how much to deduct.

If you'd like to talk to us about SWIF, or see someone in person to discuss child support, please call us on 0800 220 222.



Inland Revenue
Te Tari Taake

Thank you from Child Support

A lot of families depend on you to deduct child support payments from parents' salaries or wages so that we can pass on the payments.

At Child Support, we recognise the complexities that may be involved and we appreciate how you assist with the collection of child support. In the 2007 tax year you helped to collect nearly \$187 million dollars through deductions from your employee's wages.

We're committed to working with you to help make the collection of child support payments as easy as possible. If you'd like to speak to us or arrange an advisory visit, where we will come out to visit you and go over any questions you may have about the child support deduction process, please call us on 0800 220 222.

A handwritten signature in black ink that reads "Alison Parks".

Alison Parks
Manager
Customer Operations