

## Welcome to Payroll News

In this issue we tell you about changes to your employer monthly schedule, answer frequently asked questions about KiwiSaver, and discuss record keeping and instalment arrangements.

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](mailto:payroll.news@ird.govt.nz) and we'll aim to cover it in a future edition.

## Changes to your Employer monthly schedule (IR 348)

Over the last couple of months we've made some changes to your *Employer deductions (IR 345)* or *(IR 346)* form and the *Employer monthly schedule (IR 348)* to fit in the KiwiSaver information we require.

The addition of the KiwiSaver information means we can now only fit three employees' details onto each page of the IR 348. To keep the number of pages we send you to a minimum, we're now printing your employees' information on both sides of the IR 348.

As mentioned in June's *Payroll News* your IR 345 or IR 346 and your IR 348 are now in black and white. These forms have changed colour to allow us to print on both sides.

## KiwiSaver - questions we've been asked

Recently, we've received some questions about KiwiSaver. If you have any KiwiSaver questions you'd like answered please contact the editor at [payroll.news@ird.govt.nz](mailto:payroll.news@ird.govt.nz)

### How do employers choose a provider and how does Inland Revenue know which provider has been chosen?

You can nominate a KiwiSaver scheme for your employees to join. This is an employer-chosen scheme. If you don't have one and your employee doesn't choose a scheme of their own, we'll allocate the employee to a default scheme.

When you choose a scheme, you'll need to:

- tell us the name of your chosen scheme
- arrange for the scheme provider to give you investment statements to distribute to employees who join KiwiSaver.

### Do employers make deductions even though a new employee wants to opt out from day one?

Yes. Employers must make deductions of KiwiSaver contributions from their eligible, new employee's salary or wages until their opt-out takes effect. The earliest an employee can opt out is day 14 after starting their new employment, ie at the end of their second week. An employer cannot act on an *Employee opt-out notice (KS 10)* before day 14.

Employers will still need to send the *KiwiSaver employee details (KS 1)* form to us.

### Can KiwiSaver members change scheme providers

Existing KiwiSaver members can change KiwiSaver scheme providers at any time. To do this they must apply to the provider of the new scheme they want to join. They can only belong to one KiwiSaver scheme at a time.

The new scheme provider is responsible for making all the transfer arrangements, including contacting us. In most cases, you won't be affected by an employee changing schemes. Please continue to deduct and pay the contributions to us as usual and we'll ensure they're passed on to the right provider.

### What is the automatic enrolment process for a temporary employee or a casual agricultural worker?

Temporary employees employed for 28 continuous days or less are not enrolled automatically, but can opt in to KiwiSaver. They can either give you a *KiwiSaver deduction form (KS 2)* or contact a KiwiSaver scheme provider directly.

As long as each distinct period of temporary employment remains 28 continuous days or less, these employees are not subject to automatic enrolment. However, the automatic enrolment rules do apply to temporary employees once their employment goes beyond 28 continuous days, ie from day 29.

After 28 continuous days, you must give temporary employees a *KiwiSaver employee information pack (KS 3)* and deduct contributions from their next pay. The normal opt-out rules will apply once automatic enrolment occurs in these situations.

Casual agricultural workers who are employed for less than three months are not enrolled automatically, but can opt in. They can either give you a *KiwiSaver deduction form (KS 2)* or contact a KiwiSaver scheme provider. The automatic enrolment rules apply to casual agricultural workers if their employment is extended beyond three months. After three months, you must give them a *KiwiSaver employee information pack (KS 3)* and deduct contributions from their next pay. The normal opt-out rules apply once automatic enrolment occurs in these situations.

If you employ a temporary employee or casual agricultural worker who is already a KiwiSaver member, you must make KiwiSaver deductions from their first pay, unless they can show you a valid contributions holiday notice.

### What is salary sacrifice? Is it allowed? How will it affect both the employee and the employer?

Salary sacrifice is an arrangement where an employee's salary is sacrificed for the gain of an employer-specified superannuation contribution. An employer and an employee can mutually agree that the employee's salary will be reduced by a specific amount. The employer pays this amount as an employer contribution to their employee's superannuation scheme.

Employer contributions to a KiwiSaver or qualifying superannuation fund schemes will be exempt from specified superannuation contribution withholding tax (SSCWT) to the lesser of:

- the employee's contribution, or
- 4% of their total salary or wages.

So, if an employee “salary sacrifices” 4% of their total salary or wages and allows this amount to count towards the employer’s contribution rate of 4% to their KiwiSaver or complying superannuation fund account, it won’t generally be subject to SSCWT. The employee will also pay less income tax because their annual salary will have reduced. However, as the salary sacrifice is treated as an employer contribution it won’t count towards the employee’s tax credit entitlement.

However, there are a number of implications for both employers and employees when entering into a salary sacrifice arrangement which need to be fully considered. We strongly recommend that both employees and employers seek professional advice. Two examples of possible implications are:

- It will require greater active administration by employers as the arrangement will need to be regularly reviewed.
- For employees, it will likely reduce future ACC or redundancy entitlements, which will be based on the new level of salary or wages.

### KiwiSaver forms and guides

You can get a copy of all KiwiSaver forms and guides at [www.ird.govt.nz](http://www.ird.govt.nz) > forms and guides or by calling INFOexpress on 0800 257 773.

## Records you need to keep – employee’s details

As an employer, you’re responsible for making tax deductions from payments you make to people who work for you. You may also have to make other deductions such as student loan repayments, KiwiSaver deductions and child support. You need to keep a record of all the income earned and the deductions you make from employees’ wages.

### What to do if a new employee starts working for you

All your new employees must complete a *Tax code declaration (IR 330)* when they first start working for you. If they fail to do so you must deduct tax at the no-declaration rate. The only other time an employee needs to complete an IR 330 is if they want to change their tax code.

Each time a new employee starts working for you, you must provide us with their details. You do this by showing the following on your *Employer monthly schedule (IR 348)*:

- name
- IRD number
- tax code
- start date

You only need to enter the start date on your IR 348 once. In most situations the next IR 348 we send will have your employee’s details preprinted on it.

### When your employee stops working for you

When your employee stops working for you you’ll need to record the finish date in your wage records and on your *Employer monthly schedule (IR 348)*. We’ll remove your employee’s preprinted details from the IR 348 as soon as possible.



**Inland Revenue**  
Te Tari Taake

## Instalment arrangements

Debt is a fact of life for many of us at one time or another. There are times when this can be worse, or more sudden than we expect. It’s important that you contact us as soon as you’re aware that you’re unable to pay on time. If this happens to you, you may want to consider entering into an instalment arrangement with us.

### If you think you can’t pay by the due date

If you contact us and make a formal arrangement before the due date, and as long as you meet all of your obligations under the arrangement, you’ll only be charged one late payment penalty of 1%. No further penalties will be charged. However, interest is still charged on any unpaid amounts of \$100 or more.

### If the due date has passed and you have an unpaid tax bill

If you make an arrangement after the due date, any penalties already charged will stand. If you meet all of your obligations under the arrangement, we won’t charge any further penalties, but interest will continue to be charged on any unpaid amount of \$100 or more.

In most cases you can make an arrangement with us over the phone.

We’ll take a look at the following factors when considering your arrangement:

- whether payment in full can be made
- your current financial situation
- whether repayment would cause hardship
- whether the repayment proposal is realistic
- whether future amounts due can be paid as well as the agreed payments
- whether all returns have been filed
- your tax payment and return filing history.

If you think you need to make an instalment arrangement with us, please call 0800 377 771.

A handwritten signature in black ink, appearing to read 'Allan Quinn'.

Allan Quinn  
Manager  
Customer Operations