



Payroll giving



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What is payroll giving?

Payroll giving is a voluntary scheme available from 7 January 2010.

If you're an employer you can only offer payroll giving if you file your *Employer monthly schedule (EMS) IR 348* and *Employer deduction form (EDF) IR 345* electronically using ir-File. You pass your employee's donations on to the chosen donee organisation and reduce their PAYE with a tax credit for payroll donations.

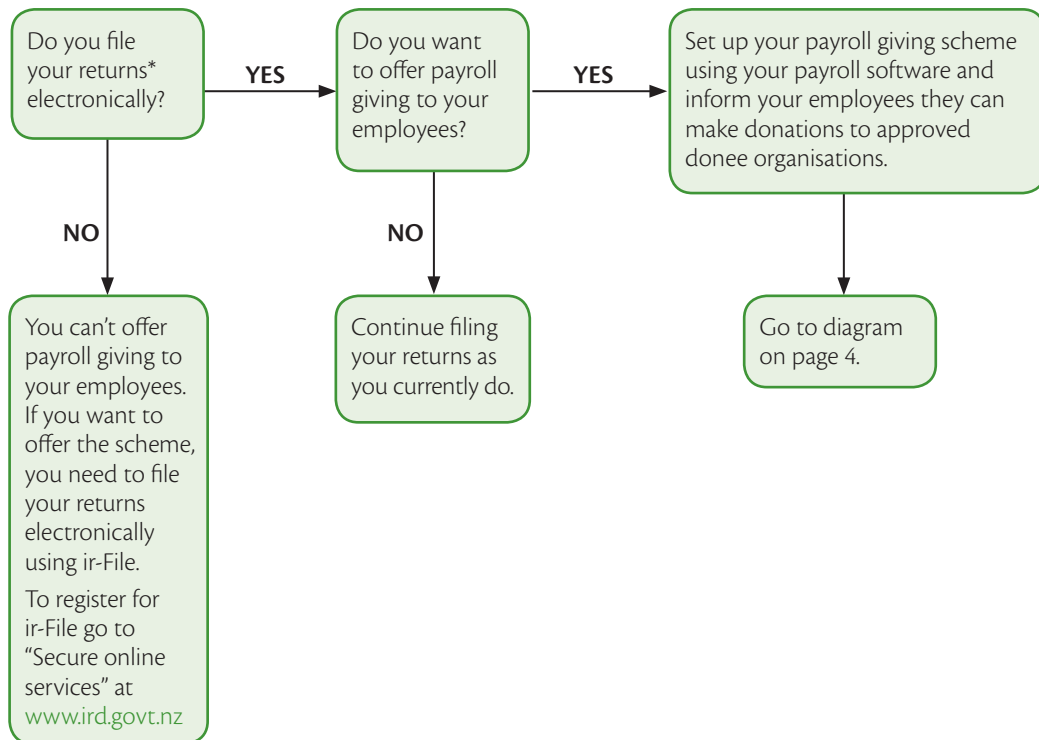
If you offer payroll giving, your employees can make donations from their salary or wages to their chosen donee organisation. They may decide how much, when and who they'd like to donate to depending on how your scheme is set up. They receive an immediate tax credit for the payroll donation. This reduces their PAYE deducted from their wages. For information about donee organisations see page 7.

Only approved donee organisations are eligible to receive donations through payroll giving. For a list of donee organisations go to www.ird.govt.nz (keyword: donee).

Using ir-File

If you want to offer payroll giving you'll need to register for an online services account before you can use ir-File. Go to www.ird.govt.nz "Secure online services" and watch the online demonstration or just register. Have your organisation's IRD number with you. You'll need to answer a few questions and call us to verify your identity, then you can be up and running with ir-File right away.

Who can offer payroll giving?



*Employer monthly schedule (IR 348) and Employer deduction form (IR 345)

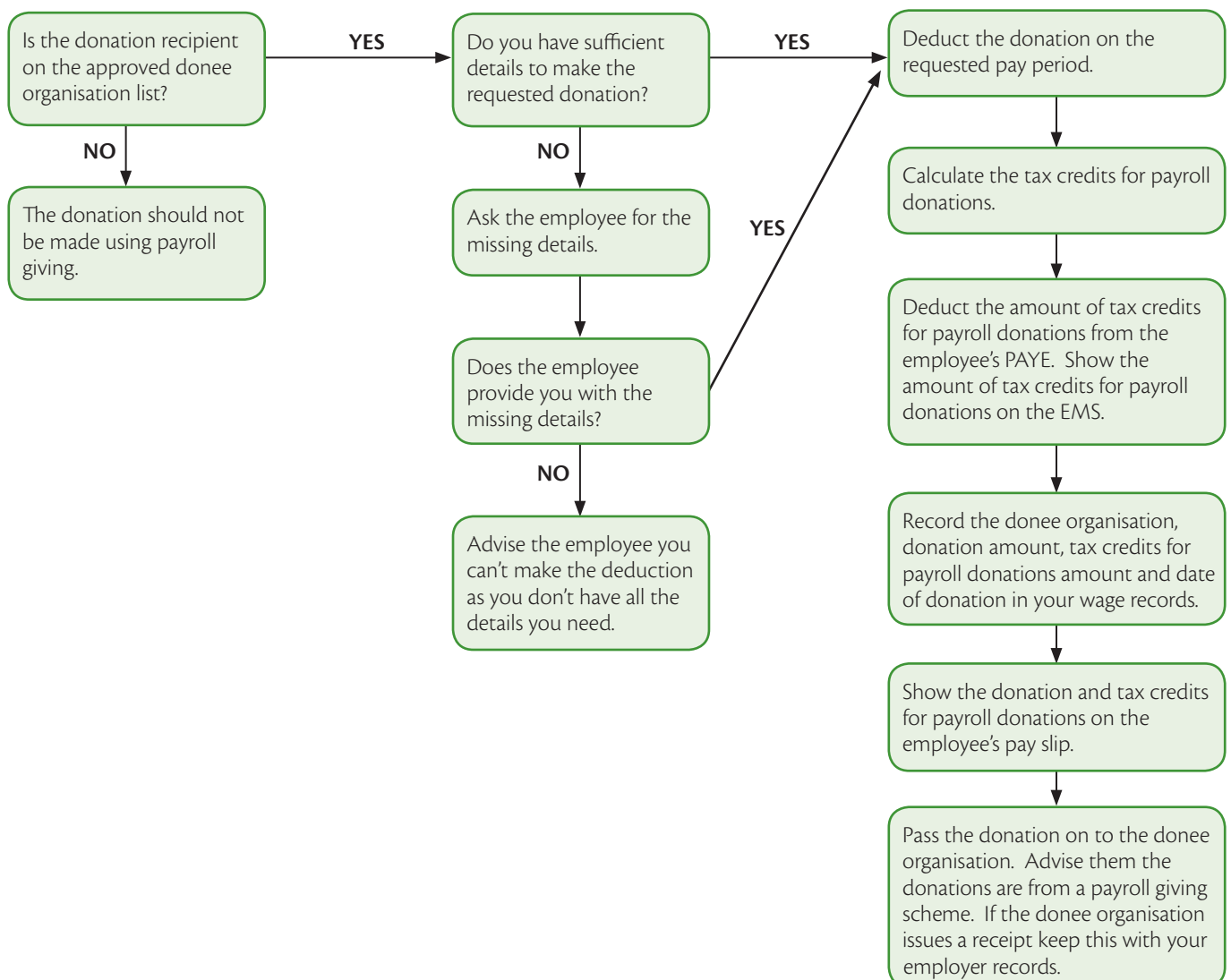
The employer's role

As an employer you are responsible for:

- deducting the requested donation amount from your employee's salary or wage
- calculating the correct tax credits for each payroll donation made
- recording the tax credits for payroll donations on your EMS
- keeping records of all tax credits for payroll donations, donation amounts, donee organisations and payment dates
- passing the donation on to the chosen donee organisations within the specified timeframe
- advising the donee organisations that the donations are made through payroll giving.

How payroll giving works

This flowchart shows the process to follow when you deduct donations from your employee's salary or wages and pass them on to the chosen donee organisations.



Timeframe for passing on donations

Donations have to be passed to the donee organisation on or before the PAYE payment due date that is closest to the end of the two months from the last day of the pay period when the donation was deducted.

The following explanation and table show how the date is calculated:

- Date A is the last day of the pay period. If the pay covers 1–30 June, the last day of the pay period is 30 June.
- To find Date B, add two months to Date A.
- Date C is the nearest PAYE payment due date to Date B. This could either be before or after Date B.

Date C is the last day you can pass the donation on to the donee organisation. You can pass the donation on at any time up to and including this date.

PAYE filing frequency	Date A last day of pay period	Date B two months from Date A	Date C nearest PAYE payment due date to Date B
Monthly filer	7 January	7 March	20 March
Twice monthly filer	7 January	7 March	5 March
Monthly filer	30 January	30 March	20 March
Twice monthly filer	30 January	30 March	5 April
Monthly filer	12 February	12 April	20 April
Twice monthly filer	12 February	12 April	5 April

Note: Don't send us details of the donee organisations or donation amounts. Just tell us the amount of tax credits for payroll donations on your EMS.

The donation and tax credits for payroll donations should show in your wage records and on your employee's pay slips.

Setting up your payroll giving scheme

Your payroll giving scheme can run from 7 January 2010. You don't register for payroll giving but you'll need to register for an online services account to use ir-File before you offer payroll giving.

There are two options when using ir-File:

- **On-screen form** where you complete details on your EMS online. This may suit if you have a manual wage book.
- **File transfer** where you attach a file from your own software. If you use an electronic payroll system this may suit you better.

If you already use payroll software it may be set up for payroll giving in your workplace. Ask your payroll software provider for help if you have any questions about using their software to support your payroll giving scheme.

You decide how payroll giving will run in your workplace but it's a good idea to involve your employees in the decision as they'll be using the scheme.

Some options to consider when setting up your scheme include:

- letting individual employees choose any approved donee organisation
- offering a limited list of approved donee organisations
- letting employees vote for an approved donee organisation (eg, donee organisation of the month or the year) that they can donate to
- letting your employees promote their chosen donee organisation to each other then everyone voting for donee organisation of the month or the year.

If your scheme allows it, the frequency, amount and donee organisations chosen by your individual employees can change at their discretion.

Your employee is responsible for checking their chosen donee organisation is on our approved list, but we recommend you check the list as well.

If you use a payroll intermediary you can still choose to offer payroll giving to your employees.

Here's how payroll giving could run in your workplace.

Example 1

Company A files its EMS and EDF electronically and decides to offer payroll giving to their employees. Each year, their employees select a charity, which they support with monthly fundraising activities. *Company A* limits their employees to donating to the chosen charity of the year.

Example 2

Company B has 250 employees. It decides to offer payroll giving to its employees who can choose any approved donee organisation but a minimum donation amount (eg \$10.00) is set.

Example 3

Company C decides to offer payroll giving to their employees. They select five donee organisations and tell their staff these are the only donee organisations they can donate to.

When you've decided how your scheme will run and when it will start, you need to let your staff know so they can decide if they're going to donate.

The employee's role

Employees are responsible for checking the donee organisation they choose is on the approved donee list.

They're also responsible for giving you sufficient information for you to pass on their donation to the donee organisation. This includes:

- donee organisation's name
- amount of the donation
- pay period, or periods, they want to donate in
- bank account or postal address details for the donee organisation.

Employees will receive tax credits for donations made through payroll giving in their pay. They cannot claim the same donations at the end of the year on the *Tax credit claim form (IR 526)*. Employees can use the IR 526 to claim tax credits for donations not made through payroll giving.

What is a donee organisation?

A donee organisation is an organisation that has Inland Revenue donee status. Individuals, companies and Māori authorities can get certain tax benefits by making gifts of money to a donee organisation. A charity can also be a donee organisation.

Note: Only Inland Revenue-approved donee organisations listed on our website at www.ird.govt.nz (keyword: donee) are eligible to receive donations under payroll giving.

If any of your employees ask you to donate to an organisation that isn't on our approved list, don't give them the tax credits. You may not wish to make the requested donation, but if you do, the donation made will not form part of the payroll giving scheme and not be eligible for tax credits for payroll donations. You may wish to discuss this with your employee.

If you make a deduction for a donation and later discover the donee organisation isn't on the approved donee list, you must adjust the employee's PAYE. See page 12 "Correcting tax credits for payroll donations after you've filed your EMS".

Calculating tax credits for payroll donations

The tax credit for payroll donations is 33½ cents for each dollar donated. Calculate the tax credit for payroll donations and then reduce your employees' PAYE by the amount of this tax credit.

Tax credits for payroll donations must not exceed the amount of tax for the pay period.

Example

Employee's gross wage	\$ 762.00
Donation amount	\$ 10.00
PAYE	\$ 150.08
Tax credit for payroll donation ($\$10.00 \times 33\frac{1}{2}\%$)	\$ 3.33
PAYE less tax credits for payroll donation	\$ 146.75
Employee's gross wage	\$ 762.00
less PAYE less tax credits for payroll donation	\$ 146.75
less donation	\$ 10.00
Employee's take home pay	\$ 605.25

You can use our PAYE/KiwiSaver calculator at www.ird.govt.nz "Work it out" to calculate tax credits for payroll donations.

Maximum donation amount

Before making a donation, employees must have met all their tax obligations and had any legally required payments deducted from their pay. These include:

- PAYE (tax and ACC earner levy)
- student loan
- child support
- KiwiSaver.

Example

Paul's tax code is M SL and he earns \$1,400 a week. He is a KiwiSaver member contributing 4% of his pay and is also paying off his student loan. Paul wants to donate \$200 to his local sports group, which is on the approved donee list. He checks the maximum donation he could make.

Weekly wage	\$1,400.00
less PAYE	\$354.83
less KiwiSaver	\$56.00
less student loan	\$103.30
Maximum donation amount	\$885.87

He works out he could donate up to \$885.87 so goes ahead with his donation of \$200 and gets a tax credit of \$66.66 (\$200 donation x 33 $\frac{1}{3}$ %).

Employee pay details

You need to provide each employee with a record of their donations and the tax credits they receive.

Example

Employee's monthly pay slip.

Gross wage	\$4,164.00
less PAYE (including ACC earners' levy)	\$865.71
less student loan	\$275.36
less KiwiSaver employee deduction	\$166.56
Donation (not on EMS)	\$150.00
Total deductions	\$1,457.63
plus tax credit for payroll donations	\$49.99
Take home pay (after donation)	\$2,756.36

The deductions for KiwiSaver and student loans have been calculated using the tax code M SL as at April 2009. The KiwiSaver employee deduction rate shown in this example is 4%.

Employer monthly schedule

You must record tax credits for payroll donations for your employee's donations on your EMS. The image below shows the ir-File EMS screen from 7 January 2010. Use the Tax credits for payroll donations field for this. Leave the field blank for any employees who don't make donations. All tax credits for payroll donation entries will be added up and the total amount will show in the Total tax credits for payroll donations field. If you don't offer payroll giving, these fields remain blank.

ir-File | DAN VAN HERECK | IRD: 12-123-123 | Employer: EURO-AOTEAROA COACH COMPANY

Employer monthly schedule

Important notices:

- You must save your changes before you leave this on-screen form. If you don't, you'll lose them.
- If you have filed an online schedule (either E15 or EDF/TR345) you do not need to send in a paper schedule.

Have you checked your schedule?

We process employer schedules at 11am each day. If you need to make changes to a schedule you can click **Undo send** from your workspace up until this time. If your schedule has already been processed, call up on 0800 473 629 or send an email to ir-file-admin@ird.govt.nz

Employer details

Employer IRD number*: 12123123
 Return period*: February 2010
 Contact name*: David Dallas
 Contact phone*: 03123456

Individual employee details

Employee IRD number*: 23-456-78
 Employee name*: Mary Jones
 Tax code*: M
 Gross earnings and/or Scheduling payments*: 2200.00
 PAYE and/or tax on Scheduling payments*: 489.27
 Lump sum payment taxed at lowest rate: tick to indicate you
 Earnings and/or Scheduling payments not liable for ACC Earners Levy: \$ 0000.00
 Student loan deductions: \$ 0000.00
 Child support deductions: \$ 0000.00
 ES code:
 KiwiSaver deductions: \$ 0000.00
 KiwiSaver employer contributions: \$ 0000.00
 Tax credits for payroll donations: \$ 33.30
 Employment start date: 01/09/1994
 Employment finish date: dd/mm/yyyy


Totals for all employees

Gross earnings and/or Scheduling payments	\$4400.00	Student loan deductions	\$00.76
PAYE and/or tax on Scheduling payments	\$889.27	Child support deductions	\$15.00
Earnings and/or Scheduling payments not liable for ACC Earners Levy	\$0.00	KiwiSaver deductions	\$80.00
		KiwiSaver employer contributions	\$20.00
		Total tax credits for payroll donations	\$36.63

Buttons: Clear form, Save employee details, Save and send as final

EMS view screen

You can check the details you've sent us on the EMS view screen. From 7 January 2010 you'll be able to see all your employees listed with the income and deduction amounts you have sent on your EMS. If you want to see more details for an individual employee, simply select their name and a breakdown of their details will be displayed.




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ir-File

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ir-File Employer monthly schedule

 Help

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Schedule details

Employer IRD number:	12-123-123
Contact name:	David Dallas
Return period:	February 2010
Contact phone:	031234567

Totals

Details	Earnings totals	Deduction totals
Gross earnings and/or Scheduler payments	\$4,400.00	
Earnings and/or Scheduler payments not liable for ACC earner premium	\$0.00	
PAYE/tax on Scheduler payments		\$889.27
(less) Tax credits for payroll donations		-\$36.63
Child support deductions		\$15.00
Student loan deductions		\$88.76
KiwiSaver deductions		\$80.00
KiwiSaver employer contributions		\$20.00
Totals	\$4,400.00	\$1056.40


Individual employee details

No:	Employee & income details	Income amounts	Deduction details	Deduction amounts
1.	Bob Smith IRD#88-888-888	\$2,000.00	Tax code: M	\$400.00
2.	Mary Jones IRD#23-456-789	\$2,200.00	Tax code: M	\$455.97
	Start: 01/09/1994 Finish: 00/00/0000			
	Gross earnings	\$2,200.00	PAYE/tax on Scheduler payments	\$489.27
	Child support code		Child support	\$0.00
	Earnings not liable for ACC earner premium	\$0.00	Student loan	\$0.00
	Lump sum	No	KiwiSaver	\$0.00
			KiwiSaver employer	\$0.00
			Less: Tax credit for payroll donation	-\$33.30
		\$2,200.00		\$455.97

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Electronic deduction form

Total PAYE recorded on the EDF is the amount of PAYE and/or schedular payments less all tax credits for payroll donations for that pay period. The image below shows how the ir-File screen will appear after 7 January 2010.



Inland Revenue
Te Tari Taake

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ir-File

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- > Trash bin
- > Electronic payments
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- > On-screen forms
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- > KiwiSaver form history
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Electronic deduction form (EDF/IR345)

⚠ If you have filed an online schedule (either EMS or EDF/IR345) you do not need to send in a paper schedule.

⚠ For Payroll giving, the PAYE and/or tax on Schedular payments will be the total PAYE and/or tax on Schedular payments minus total tax credits for payroll donations.

Have you checked your schedule?

We process employer schedules at 11am each day. If you need to make changes to a schedule you can click **Undo send** from your workspace up until this time. If your schedule has already been processed, call us on 0800 473 829 or send an email to ir-file-admin@ird.govt.nz

Employer details

Employer IRD number	<input type="text" value="12123123"/>
Return period	<input style="border-bottom: 1px solid #ccc;" type="text" value="28 February 2010"/> ▾

Payment details ? Help

Employee deductions and contributions

PAYE and/or tax on Schedular payments	\$	<input type="text" value="852.64"/>	0000.00
Child support deductions	\$	<input type="text" value="15.00"/>	0000.00
Student loan deductions	\$	<input type="text" value="88.78"/>	0000.00
KiwiSaver deductions	\$	<input type="text" value="80.00"/>	0000.00
KiwiSaver employer contributions	\$	<input type="text" value="20.00"/>	0000.00
ESCT deducted	\$	<input type="text" value="0.00"/>	0000.00

Total

Total amount payable	\$	<input type="text" value="1056.40"/>	0000.00
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Clear form
Save and send EDF/IR345

Correcting tax credits for payroll donations after you've filed your EMS

If you've filed your EMS and then want to amend the amount of the tax credits for payroll donation amounts you've recorded, please call us on 0800 377 772 or you can write to us with the following information:

- the return period affected, and
- details of the adjustment required, including:
 - relevant employee IRD numbers
 - the correct tax credit for payroll donation amounts.

Please don't use the *Employer monthly schedule amendments (IR 344)* form to correct tax credits for payroll donations on your EMS.

Disallowed tax credits for payroll donations and penalties

Situations where we will disallow tax credits for payroll donations include where a donation has been passed to a non-approved donee or where the donation has not been passed to the donee organisation within the specified timeframe. See page 5 to find out how to work out the timeframe.

Keeping records

Employers must keep any receipts received from donee organisations for donations made under the payroll giving scheme. Donee organisations may decide to issue receipts for donations made through payroll giving. These receipts should be clearly marked "payroll giving". Keep these receipts with your payroll records and don't include them as business or individual donation receipts for tax purposes.

You may keep your records stored electronically, but you must be able to print them out if we ask you to.

Keep all records for seven years.

Need more help?

www.ird.govt.nz

Go to our website for information and use these interactive services.

- **Secure online services** – check your account information, file an employer schedule and update your family details and income.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business.
- **Forms and guides** – read our forms and guides and complete forms onscreen.

You can also check out our newsletters and bulletins, and have your say on items for public consultation.

How to get our forms and guides

You can view copies of all our forms and guides mentioned in this booklet by going to www.ird.govt.nz and selecting "Forms and guides". You can also order many of our forms and guides by calling 0800 257 773. Check our website for availability.