

Payroll News

IR 339

Issue 78

September 2005

Welcome to *Payroll News*

In this issue we tell you about withholding payments and GST, entering or expanding your business into Australia, and new services we are providing for individuals and young people.

If you have an employer topic you'd like to see covered in future newsletters, please write to the Editor, *Payroll News*, PO Box 2198, Wellington or email us at payroll.news@ird.govt.nz and we'll aim to cover the topic in a future edition.

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

Look at Account Information

The online *Look at Account Information* service lets all individual customers view their Inland Revenue account balances, transaction details, earnings information and due dates online, in real time. Currently, this service is only available to individual customers and tax agents. The *Look at Account Information* service was updated recently to include income from employers. Now employees can view their monthly and yearly income details as soon as the PAYE schedules are filed and processed.

This means that if your employees want to find out how much they have earned during the year, rather than asking you or picking up the phone and calling us, they can log into the internet and see for themselves. Before using this service, individuals must register for a userID and password.

For example, Child Support customers can view the details we hold about their relationships, including:

- start and stop dates
- the names of paying parents and custodians
- names of all children in the relationship
- children's dates of birth
- assessments, entitlements, and liabilities
- payments received or due.

Student loan borrowers can also use this service to track progress on their student loan repayments.

To register for access to the service, go to our website

<http://www.ird.govt.nz/online-services/service-name/services-l/online-look-acct-info.html>

Withholding payments and GST

If you are in business and hire a worker as an independent contractor you may need to deduct withholding tax from the payments you make to them. The *Tax code declaration (IR 330)* form has a list of all the occupations subject to withholding tax and the amount you need to deduct from each dollar earned.

The only time you don't need to deduct withholding tax is:

- if you've been provided with a certificate of exemption
- for payments to non-resident contractors if they are allowed total relief from tax through a double tax agreement, and are present in New Zealand for a total of 92 days or less in any 12-month period
- for payments of \$15,000 or less in any 12-month period to or for the contract activities of a non-resident contractor
- for payments to Māori authorities, public authorities and local authorities relating to any work or service performed by them
- for payments made to a company (but not a company that is a non-resident contractor or that is a non-resident entertainer) in relation to any work or services performed by it.

If the worker is registered for GST, they will charge GST on goods and/or services supplied. This means their gross earnings will increase by the GST charged.

If they give you a tax invoice or you create your own tax invoice for a worker (which we've approved), you'll need to work out and deduct withholding tax on the amount excluding GST.

Example

Commission	\$ 500.00
plus GST	\$ 62.50
GST-inclusive amount	\$ 562.50
less withholding tax (20% of \$500)	\$ 100.00
Net payment	\$ 462.50

You would deduct withholding tax from the \$500 and show the \$500 as the gross payment on the *Employer monthly schedule (IR 348)*.

Show a WT tax code when completing the IR 348 for a withholding payment recipient.



Thinking of entering or expanding your business into Australia?

Information to help New Zealand and Australian businesses with their tax requirements has been added to our website and the Australian Taxation Office's (ATO) website.

The content has been developed as a joint initiative between us and the ATO after consultation with businesses and their advisors here and in Australia. The aim is to provide better access to information about tax requirements and administrative issues for businesses trading across the Tasman. New Zealand businesses thinking of entering Australia need to look at the information provided by the ATO, this can be found on both websites.

Check these out

www.ato.gov.au/businesses/
www.ird.govt.nz/yoursituation-bus/nz-in-australia/

"What'sTax?"

In August we launched a new website www.whatstax.govt.nz

It's a new website specifically developed for young people who are starting full or part-time employment. It aims to introduce this group to the concept of tax and address some of their questions. It tells them the basic information they need to know about tax, including:

- What an IRD number is and how to apply for one
- What a tax code is and why they need to select the right code
- How taxes fund services provided by government.

The site will also be of interest to employers, parents and teachers of people in this age group.

As a result, new employees will be more likely to have an IRD number and know which tax code to use when they start working for you.

Check out "What'sTax?" at www.whatstax.govt.nz to send us your feedback click on website feedback.

We look forward to hearing from you.

Making tax easier for small businesses

As part of our commitment to making tax easier for small businesses and reducing compliance costs, we have undertaken research to measure how much it costs small and medium sized enterprises (SMEs) to comply with their tax requirements.

In late 2004 Colmar Brunton sent out surveys to 4,800 SMEs. 2,300 SMEs completed the survey, resulting in a response rate of 49%.

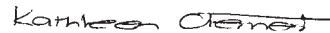
This research will contribute to our efforts to reduce compliance costs by helping us to measure the impact that new initiatives and legislative changes have on businesses.

For a summary of the survey results, please contact us at corpcomms@ird.govt.nz

Audits

We conduct regular audits to ensure that employer monthly schedules have been completed correctly and the right amount of tax has been deducted and paid. As an employer you can expect us to audit you from time to time. This will involve checking your businesses PAYE records against the employer monthly schedules you've sent us.

You must keep all wage records for seven years. If you want to know more about what happens in an audit, read our booklet *Inland Revenue audits (IR 297)*. You can get this from our website www.ird.govt.nz or by calling INFOexpress on 0800 257 773.



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