

Payroll News

Issue 87
July 2006

Welcome to *Payroll News*

In this issue we tell you about paid parental leave changes, child support deduction notices and how to keep accurate records.

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 or email us at payroll.news@ird.govt.nz and we'll aim to cover the topic in a future edition.

Why PAYE amounts don't always match

We've been asked why computer payroll software packages and our website PAYE calculator don't always match the PAYE amounts to be deducted in our *2007 Weekly and fortnightly PAYE deduction tables (IR 340)* and *2007 Four-weekly and monthly deduction tables (IR 341)*. See the example below

Example

Angelina is paid monthly and uses the M tax code. In July Angelina earned \$3,922 (before tax). The amount of PAYE to deduct is:

Using the online calculator	Using IR 341 tax tables
\$917.62	\$916.11

The PAYE deduction using the IR 341 tax tables is \$1.51 less than the deduction made using our online calculator. This is because the gross earnings shown in the IR 341 tax tables go up in \$5 amounts, whereas our online calculator and payroll software packages use the exact amount. To keep it simple and to avoid overtaxing employees, we advise employers who use the paper tax tables that where the exact amount of earnings is not shown, they should use the nearest lower gross earnings value.

Paid parental leave changes from 1 July 2006

Paid parental leave are payments made to mothers or an adoptive parent for up to 14 weeks while they take parental leave from their job. These payments are made by Inland Revenue to the mother or adoptive parent's bank account each fortnight.

From 1 July, the following changes have been made to Paid Parental Leave. The maximum amount of paid parental leave a mother or adoptive parent can receive has increased to \$372.12 gross per week. Previously this was \$357.30 gross per week.

A birth mother or an adoptive parent applying for second or subsequent periods of paid parental leave may now be entitled to paid parental leave if their expected due date or date of adoption is at least six months after they return to work from previous leave. Before 1 July 2006 this period was 12 months.

A self-employed person is entitled to paid parental leave if they:

- are pregnant or are adopting a child under the age of six, and
- have been self-employed for an average of 10 hours a week or more, for either six* or 12 months before their expected due date, or date of adoption, and

- meet the requirements of a self-employed person—go to www.ers.govt.nz/parentalleave/self-employed/

*For second or subsequent periods of paid parental leave

Self-employed people who make a loss, or earn less than the minimum wage for at least 10 hours work a week, are entitled to the equivalent of 10 hours a week at the highest rate of the minimum wage under the Minimum Wage Act. Currently this works out at \$102.50 a week before tax.

To apply for paid parental leave the expectant mother or adoptive parent will need to complete a *Paid parental leave application (IR 880)* form, if they are an employee, or the *Paid parental leave application for a self-employed person (IR 888)* form if they are self-employed. These forms and other information about paid parental leave can be found at www.ers.govt.nz/parentalleave/ or by calling the Department of Labour's Workplace Contact Centre on **0800 20 90 20**.

Thanks—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 Inland Revenue Child Support, we recognise the complexities sometimes involved in this process and we appreciate how you assist with the collection of child support. In the last year you helped to collect nearly \$229 million through deductions from employees' 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 with our advisors please call us on **0800 220 222**. We will come out to visit you and go over any questions you may have about the child support deduction process.

Child support deduction notices

Every year, in February or March, we send child support assessments to paying parents. These assessments are based on 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 income has changed by more than \$500 the paying parent receives a new assessment.

If you've been asked to deduct child support from an employee 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 has had a change in the amount of child support they are required to pay.

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

If you would like to talk to us or see a staff member to discuss child support, please call us on **0800 220 222**.

Keeping records

As an employer it's important to keep full and accurate wage records. If you use a computer payroll system it must be able to print information on request.

You'll need to keep all records for at least seven years, including your employees' *Tax code declaration (IR 330)*.

Your records should show:

- each employee's name IRD number and tax code
- the date they started working for you
- the date they stopped working for you.

Every payday, record the following details for each employee:

- total gross earnings
- PAYE deductions
- taxable allowances
- child support deductions
- student loan deductions
- any SSCWT.

To complete your *Employer deductions (IR 345)* or *(IR 346)*, total the amount of PAYE, child support, student loan and SSCWT you've deducted from all employees during this period. These amounts go on your IR 345 or IR 346 and show how much you need to pay us.

To complete your *Employer monthly schedule (IR 348)*, total each employee's wage information for the month and put these details on the schedule. If the total amount of PAYE, child support, student loan and SSCWT are the same as the payments you made to us for the month, your wage records balance.

Note

If an accountant or PAYE intermediary files your returns on your behalf, you still need to keep records of the gross salary or wages paid to each employee.

Provisional Tax

Just a reminder that if you pay provisional tax and have a standard balance date of 31 March, your first instalment of 2007 provisional tax is due on Monday 7 July 2006.

Helping your employees access family assistance

Recent changes to family assistance will allow up to 85,000 more New Zealand families to claim family assistance. This may include employees in your business, and you can help them to find out if they qualify.

The changes are part of Working for Families, a package designed to help make it easier for people to work and raise a family. Changes to family assistance include higher income limits and a new in-work payment for eligible working families. This means thousands more working families who weren't previously eligible may now find that they qualify for family assistance tax credits from April 2006.

Financial support is available for:

- almost all families with children, earning under \$70,000 a year
- many families with children, earning up to \$100,000 a year
- some larger families earning more.

Example

The table below shows the difference the new family assistance rates can make.

Family income	Number of children	Old entitlement 1/04/05 to 31/03/06	New entitlement 1/04/06 to 31/03/07
\$39,900	2	\$98 per fortnight	\$311 per fortnight
\$60,000	2	–	\$161 per fortnight

Note

The new entitlement figures are estimates only and actual amounts may differ slightly. The amounts are based on all children being under 13. If you have children older than 13 you may be able to earn more and still receive a payment.

Anyone who thinks they may qualify for family assistance can apply online at www.workingforfamilies.govt.nz or find out if they qualify by calling 0800 227 773.

Your employees may also be eligible for other assistance as a result of *Working for Families*. This includes childcare assistance and the accommodation supplement from Work and Income. To find out how much they may be entitled to, please encourage them to visit www.workingforfamilies.govt.nz or call 0800 774 004.



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