

Payroll News



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Welcome to Payroll News

In this issue we tell you about KiwiSaver, the 2008 PAYE tables, getting a special tax code certificate and the new style certificate of exemption from withholding tax.

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 the topic in a future edition.

KiwiSaver and you

KiwiSaver is the new work-based saving scheme that starts on the 1 July 2007 and as an employer you have an important role to play in its introduction.

Your role includes giving new employees a KiwiSaver information pack and deducting contributions from their first pay. Existing employees can also join the KiwiSaver scheme.

Any contributions you deduct and pass to us are transferred to a scheme provider.

About KiwiSaver

In January we sent you a leaflet giving a brief overview of how the KiwiSaver scheme works and what your responsibilities as an employer are. We'll provide further information in our "how to" employer packs, which we'll send you in May or June.

We have also sent information about KiwiSaver to accountants, tax advisors and industry associations so they can answer any questions you may have.

Updates about KiwiSaver

To make it easy for you to keep up to date with what KiwiSaver means for you and your business, you can get updates emailed to you. Go to our website: www.ird.govt.nz/kiwisaver/employers/ and complete the subscription.

Default scheme providers

Where an employee doesn't select a savings scheme provider, we will allocate them a scheme (default provider). The default providers are:

- AMP
- ASB
- AXA
- ING
- Mercer
- TOWER

Note

If you have your own workplace KiwiSaver scheme, your employees will be allocated to your chosen scheme if they do not select one for themselves.

Extension of the specified superannuation contribution withholding tax (SSCWT) exemption

Currently employers are required to pay SSCWT on the specified superannuation contributions they pay to a registered superannuation schemes on behalf of an employee.

In September 2006 the Government announced that employer specified superannuation contributions, up to a capped amount, paid on behalf of an employee to their KiwiSaver scheme would be exempt from SSCWT.

In December 2006, this exemption was extended to employer specified superannuation contributions made to superannuation funds who met certain criteria.

This means that on or after 1 July 2007, all specified superannuation contributions an employer makes on behalf of an employee to either a KiwiSaver scheme or an approved superannuation fund, may be exempt from SSCWT. This exemption will be capped to the lesser of the employee's contribution to the scheme, or 4% of the employee's gross salary or wages.

For more information about KiwiSaver please go to www.ird.govt.nz/kiwisaver/employers/

2008 PAYE deduction tables

We will send you your 2008 PAYE deduction tables in early March, unless you've told us that you don't want to receive them. You will be sent either the *2008 Weekly and fortnightly PAYE deduction tables (IR 340)* or the *2008 Four-weekly and monthly PAYE deduction tables (IR 341)* or both.

The tables contain changes to the student loan and ACC earners' levy deductions. We've also changed the layout of the booklets from portrait (vertical) to landscape (horizontal). This is the result of us including two new KiwiSaver columns into the tax tables, which become effective from July 2007.

Please use these deduction tables for payments you make to your employees from 1 April 2007. Remember, if you use the online PAYE deduction tables under "Forms and guides" and you have either "bookmarked" or added them to your "favourites", you'll need to update the link to the 2008 PAYE deduction tables from 1 April 2007.

If you prefer, you can calculate your employee's salary or wages at **Work it out > PAYE > PAYE calculator 2008**.

The amount to deduct from holiday pay can be calculated at **Work it out > PAYE > Calculate tax on holiday pay – 2008**. Please remember to update your bookmarks for this calculator as well.

Provisional tax due date reminder

If you pay provisional tax and have a standard balance date of 31 March 2007, we will send you a letter and payment slip in February advising you that your third instalment of 2007 provisional tax is due on Wednesday 7 March 2007.

You can make your provisional tax payment:

- electronically through your bank
- by sending us your cheque and payment slip in the reply envelope
- by taking the payment (cash or cheque) and payment slip into your nearest Westpac branch
- by paying through your tax pooling intermediary company.

Special tax code certificate

Some of your employees may have a special tax code or apply for one this year. A special tax code uses a tax deduction rate that we work out to meet your employee's individual circumstances.

If you are given a special tax code certificate you must deduct tax at the rate shown on the certificate. A certificate can be valid for a part or a full tax year, depending on when it was applied for. All certificates expire on 31 March each year. If you are not given a valid certificate by 1 April, your employee needs to complete a *Tax code declaration (IR 330)* and you should deduct tax using the tax code they have indicated. If your employee doesn't complete an IR 330 you'll need to deduct tax using the no-declaration ("ND") rate.

We have made some changes to the certificate to make it easier for you.

Previously, it showed a flat rate of PAYE deductions, as well as the amount of ACC earners' levy.

The certificate now shows one figure which includes earners' levy.

See example below.

Special tax code/deduction rate certificate	
	Inland Revenue Department, Private Bag, Telephone: Facsimile:
Date of issue:	
	IRD number: Certificate number:
This certificate is valid from / / to / /	
To:	
You are authorised to:	
<ul style="list-style-type: none">• deduct PAYE at the rate of 32 cents in each dollar of gross income for the above employee. This deduction rate includes ACC earners' levy.	
Please keep this certificate with your employee's wage records.	
When this certificate expires, your employee needs to give you a new certificate or a completed <i>Tax code declaration (IR 330)</i> to use.	
Yours sincerely	
Please sign here before giving this certificate to your employer.	Employee's signature:
Please note that it is an offence to alter this certificate.	Date:
<small>This certificate is issued under the Income Tax Act 2004, the Income Tax (Withholding Payments) Regulation 1979, the Accident Rehabilitation and Compensation Insurance Act 1992, the Accident Insurance Act 1998, and the Student Loan Scheme Act 1992.</small>	

New style certificate of exemption from withholding tax

From this year we will be issuing a "new style" certificate of exemption.

Whats different?

The new certificates:

- are a convenient credit card size
- have more security features
- have exemption periods that range up to five years.

The new style certificate of exemptions will be effective from 1 April 2007. Contractors will be receiving their certificates over the next few weeks.

What you need to do

If a contractor shows you a certificate please check that:

- the certificate is original
- it hasn't expired
- the name on the certificate is the same as the name on the contractor's invoice.

Photocopy the certificate for your records. You may find that some distortion occurs, this is due to the special coating on the certificate, but the relevant details about the contractor should be legible.

If you need more information visit www.ird.govt.nz or call 0800 377 772.

The new style certificate looks like this.



Alison Parks
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Customer Operations

