

# Payroll News

Issue 110  
September 2008

## Welcome to *Payroll News*

In this issue: the new PAYE deduction tables from 1 October 2008, a change to online services, the new postal standards, a note on a new tax bill introduced, and treatment of ESCT (employer superannuation contribution tax) in calculating your employer tax credit (ETC).

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.

## PAYE deduction tables from 1 October 2008

By now you should have received updated 2009 PAYE deduction tables:

- *Weekly and fortnightly (IR 340)*
- *Monthly and four-weekly (IR 341)*

We've issued updated PAYE tables because personal income tax rates are changing.

*Please use the new tables for pay periods ending on or after 1 October 2008.*

If you haven't received your deduction tables or you haven't received the tables you require, call us on 0800 377 772. Have your IRD number handy.

If you're a company with an annual turnover of \$100 million or more, or you're a customer subject to special legislation, eg, mining and Crown entities, please call us on 0800 443 553.

The new IR 340 and IR 341 deduction tables are also available at [www.ird.govt.nz/forms-guides/number/forms-300-399](http://www.ird.govt.nz/forms-guides/number/forms-300-399) or you can get copies by calling INFOexpress on 0800 257 773.

## Online services have moved

The website address for our online services which require login (including ir-File, Look at account information, Client maintenance, Send and receive mail, Portfolio investment entity (PIE) file transfer) has changed.

If you log in using the button on our homepage, we'll take you to the new page. You can then update the link in your bookmarks or favourites.

We've also made some changes to the look and feel of the online services web pages, including improving the navigation and personalising menus based on your customer profile.

You can see what these changes look like in the "News and updates" item at [www.ird.govt.nz/news-updates/like-to-know-online-services.html](http://www.ird.govt.nz/news-updates/like-to-know-online-services.html)



Inland Revenue  
Te Tari Taake

## New postal standards

On 1 July 2008 New Zealand Post introduced new standards for bulk mail. The new standards mean it is now mandatory to include street numbers, town or city names and postcodes.

Inland Revenue is updating our database and aim to have all our postal addresses meet the new standards by December 2008. Until then, although mail generated by our system will not meet the new standards, your mail **will** continue to be delivered by New Zealand Post.

Please continue to let us know if you change your address. You can do this by:

- getting it done online – [www.ird.govt.nz/how-to/change-address/](http://www.ird.govt.nz/how-to/change-address/)
- completing the *Have you changed your name, address or phone number? (IR 238)* form and sending it to us
- calling us on 0800 227 774.

## Tax bill introduced

On 2 July 2008 legislation was tabled in Parliament introducing a number of major business tax reforms, including:

- reforming New Zealand's international tax rules to help New Zealand-based companies compete more effectively overseas
- raising tax thresholds to reduce compliance costs for smaller businesses
- clarifying the law to ensure employer payments for relocation and overtime meal allowances are tax-free
- introducing a new payroll system for people who want to have charitable donations deducted from their pay.

For further information go to [www.taxpolicy.ird.govt.nz](http://www.taxpolicy.ird.govt.nz)

## Treatment of ESCT (employer superannuation contribution tax) in calculating your employer tax credit (ETC)

The following applies to you if you're required to pay ESCT on employer contributions to KiwiSaver schemes or complying funds.

### What is ESCT?

ESCT (formerly known as SSCWT) is a tax on any monetary contribution to a superannuation fund paid by an employer for an employee's benefit. Employer contributions to KiwiSaver schemes and complying funds are exempt from ESCT—up to a cap.

You're required to pay ESCT on employer contributions to KiwiSaver schemes or complying funds if your employer contribution is greater than:

- 4% of the employee's gross salary or wages, or
- the employee's deduction (if employee deductions are 2% and you contribute 3%, you must pay ESCT on the additional 1%).

ESCT can be calculated in one of three ways. For more information please go to [www.ird.govt.nz/payroll-employers/make-deductions/deductions/super-contributions/](http://www.ird.govt.nz/payroll-employers/make-deductions/deductions/super-contributions/)

## How does it relate to the employer tax credit (ETC)?

You can claim a tax credit of up to \$20 per employee per week if you contribute to KiwiSaver schemes or complying funds on behalf of your employees.

If you pay ESCT on employer contributions to KiwiSaver schemes or complying funds, you're entitled to claim the ETC based on the combined amounts of the employer contribution and the ESCT paid.

### Example

John works for ABC Limited and has 4% of his wages deducted for KiwiSaver. In February he is paid \$1,500 and so his KiwiSaver deductions are \$60. ABC Limited pays employer contributions of \$80 per month, and is liable to pay ESCT on the additional \$20. ABC Limited calculates ESCT using the flat rate option of 33 cents in the dollar so the ESCT is \$6.60. When ABC Limited files their *Employer deductions (IR 345)* form they use the following amounts:

• KiwiSaver deductions	\$ 60.00
• KiwiSaver employer contributions	\$ 73.40
• ESCT	\$ 6.60
• KiwiSaver ETC claimed	\$ 80.00

We are currently working with payroll software providers to ensure that payroll packages are performing this ETC calculation correctly. If you use a payroll software package you may want to check how this calculation is being made and whether there is an upgrade available to ensure the ETC calculation is correct.

If you believe your ETC has been calculated incorrectly in previous months or you may not have been paying ESCT correctly you can contact us to get it sorted out. Please call us on 0800 377 772 and make sure, that for each of the affected periods, you have the following information handy:

- Total KiwiSaver employer contributions
- Total complying fund employer contributions (if applicable)
- Total ESCT paid
- KiwiSaver ETC amount claimed at the time
- Corrected KiwiSaver ETC claim amount
- Complying fund ETC amount claimed at the time (if applicable)
- Corrected complying fund ETC claim amount (if applicable).

## Callback service to save you time

From August, Inland Revenue began offering a new service called virtual hold on the tax agents, employers and personal/general 0800 numbers. Now, when you call us you'll have the option of waiting on hold for a customer service representative (CSR) or receiving a callback.

### How will virtual hold work?

If you opt for a callback, a virtual placeholder maintains your place in line and calls you back moments before it reaches the top of the phone queue. You'll hear this message:

- "Thank you for calling Inland Revenue. The expected wait time is XX minutes.
- To receive a callback, press 1 (you'll be asked to enter your DDI phone number which is read back for verification and you'll be asked to record your name for use when the callback is made).
- To remain on hold, press 3."

When you're called back you'll hear:

- "Hello. This is your return call from IRD for [caller's name].
- If [caller's name] is ready, please press 1."

The system confirms the correct person is on the line and ready to speak with a CSR, then routes the call to the next available CSR, who handles it as a normal inbound call.

If you're not ready (you're busy) or available (no answer) to receive the return call the system will attempt up to four more calls, at five-minute intervals.

Virtual hold eliminates additional attempts to contact us, reduces long holding times, and frees up your time.

### Facts about virtual hold

- Virtual hold callback options will not be available all day, every day. The callback option will only be turned on when wait times reach preset threshold levels.
- When the virtual hold callback option is not turned on, you'll still hear estimated wait times.
- Callbacks are only available to direct dial numbers.
- There will be a few months' settling in period while the technology is fine-tuned to our requirements.

### Other options

Our web and other self-service options are still the best sources of information when you don't need direct contact with us.

### Future improvements

- We'll look at introducing virtual hold on all other queues at a future date.
- At present, callbacks can't be made to cellphones, extension numbers or international numbers. We'll investigate making these options available over the coming months

### It pays to pay on time!

Please remember to pay your employer monthly schedule (EMS) payments on time—you may incur penalties if you're late.

If you think you may have difficulties making a payment, call us as soon as possible on 0800 377 774 or go to [www.ird.govt.nz/how-to/debt/penalties](http://www.ird.govt.nz/how-to/debt/penalties) for more information.



Alan Quinn  
Manager  
Customer Insight



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