

# Support when you've had a significant drop in income

If you're going through financial difficulty, we can help take the worry out of tax. This factsheet sets out some options available and explains how we tax redundancy payments and retirement allowances.

## Options available

Anyone can have a significant drop in income, sometimes with no warning. There are ways to take the pressure off, and we're standing by ready to help you. See which of the options below apply to you, then contact us.

We recommend you have a myIR account because it's the easiest and most secure way to manage things. You can register at [ird.govt.nz](https://ird.govt.nz). Go to the top of the web page and select the 'Register' button.

Ways you can contact us are listed on the other side of this factsheet.

## Working for Families

Do you have a dependent child? You may qualify for Working for Families payments.

[ird.govt.nz/working-for-families](https://ird.govt.nz/working-for-families) has more information.

Already getting payments? If your annual family income has dropped, you may be entitled to more money, though this will depend on your particular situation.

To update your records, go to your Working for Families account in myIR and select 'Family and income details'.

If you're entitled to more money, we'll increase your payments and let you know in myIR.

## Student loans

If you're an employee experiencing hardship, you can apply for lower repayments. Go to your student loan account in myIR and select 'Apply for a reduced deduction rate'.

If you're self-employed, we can reduce your student loan assessments. To apply, send us a message in myIR.

## KiwiSaver

You may be able to take a break from making KiwiSaver contributions. Go to your KiwiSaver account in myIR and select 'Apply for a savings suspension'.

You may be eligible to withdraw KiwiSaver savings early if you are experiencing financial hardship. Contact your KiwiSaver provider to discuss your options.

## Child support (paying parents)

If your income has dropped by 15% or more, you can ask us to reduce your child support payments. Go to your child support account in myIR and select 'Child support change of circumstances'.

## Tailored tax options

If your income drops, you can apply for a tailored tax code, tailored tax rate, or a certificate of exemption. Using 1 of these options may help you pay the right amount of tax every payday, rather than possibly having a big tax bill or big refund at the end of the year.

[ird.govt.nz/tailored-tax-code](https://ird.govt.nz/tailored-tax-code)

## Estimate or re-estimate your provisional tax

A drop in income may mean you can pay less provisional tax. To re-estimate your provisional tax, go to [ird.govt.nz/prov-tax-estimate](https://ird.govt.nz/prov-tax-estimate)

## Tax relief options

If you have overdue tax, and immediate full payment will cause you serious hardship, you can set up an instalment arrangement to repay the money in manageable amounts over time. Log in to your myIR account, select 'I want to ...' then 'Request an instalment arrangement'.

We'll stop charging late payment penalties if you keep to the arrangement.

In some cases, we may be able to write off some of your debt. You can apply for tax relief in myIR. Log in to your myIR account, select 'I want to...', then 'Register, application and enrolment' then 'Application for relief'.

## Remember your tax advisor

Your tax advisor (accountant, bookkeeper, lawyer) or business mentor understands you and your business. They're a good resource for independent advice.

# How redundancy payments and retirement allowances are taxed

Redundancy payments and retirement allowances are taxable income. When your employer pays you, they'll deduct tax and you'll get the after-tax amount in your hand.

## How much tax?

Your employer will **estimate** your income for the year including your redundancy payment or retirement allowance. They will then deduct tax from the payment or allowance at your top tax rate.

Once we know your actual income for the year, we'll work out if you have any end-of-year tax to pay, or if you'll get a refund.

You do not pay ACC earners' levy on redundancy payments or retirement allowances.

## KiwiSaver: retirement allowances

Your employer will deduct your KiwiSaver contributions from any retirement allowance you receive. Your employer will also make employer contributions (if you're eligible).

## KiwiSaver: redundancy payments

Your employer won't deduct KiwiSaver contributions from redundancy payments or make any employer contributions.

## Student loans

If you have a student loan, your employer will deduct student loan repayments from any redundancy payment or retirement allowance you receive.

## Child support (paying parents)

If you pay child support, your employer will deduct child support from any redundancy payment or retirement allowance you receive.

Your redundancy payment or retirement allowance won't change the amount of child support you need to pay. That's because we base your child support on your previous year's income.

But we will include your redundancy payment or retirement allowance as income in your next year's child support assessment. However, if your income in the next year drops by 15% or more, you can ask us to reduce your child support payments.

Go to your child support account in myIR and select 'Child support change of circumstances'.

If you have overdue child support, you may like to consider using part of your redundancy payment or retirement allowance to repay the amount owing.

## Working for Families

Is your Working for Families entitlement paid weekly or fortnightly? If you get a redundancy payment or retirement allowance, your Working for Families payments will likely change. They could drop – or even stop – for the rest of the tax year (1 April to 31 March). That's because your entitlement amount is based on your **estimated** annual family income.

Once we know your actual family income for the year, we'll work out if we overpaid or underpaid you.

## Are you on the right tax code (employees)?

Have you started another job since you got your redundancy payment or retirement allowance?

Please make sure you're on the right tax code.

If you're unsure, go to [ird.govt.nz/tax-codes-individuals](https://ird.govt.nz/tax-codes-individuals). You'll find an online tool to help you work out what tax code to use.

The right tax code helps ensure you pay the right tax during the year and avoid a big tax bill at the end of the year.

## Is a tailored tax option right for you?

A redundancy payment or retirement allowance may push you into a higher-than-normal tax bracket for that year. In that case, a 'standard' tax code may not have deducted enough tax from your salary or wage earlier in the year.

Did you know you can apply for a tailored tax code? Using this code means you'll have extra tax taken from your salary or wage for the rest of the current tax year. The tailored tax code takes into account your redundancy payment or retirement allowance and may prevent a surprise bill at the end of the year.

Go to [ird.govt.nz/apply-for-tailored-tax-code](https://ird.govt.nz/apply-for-tailored-tax-code)

## All the ways you can contact us

Get in touch so we can help!

### myIR

You can send us a message in myIR. It will save you time because we'll already have your details handy.

### Phone

Personal customers: **0800 775 247**

Business customers: **0800 377 774**

### Come and see us

We have offices right across New Zealand: [ird.govt.nz/contactus/our-customer-sites](https://ird.govt.nz/contactus/our-customer-sites)

### Let us come to you

Ask for an advisory visit from a Community Compliance Officer or a Kaitakawaenga Māori:

[ird.govt.nz/contactus/business-advisory-social-policy](https://ird.govt.nz/contactus/business-advisory-social-policy)

### More choices

To see all the ways you can get in touch with us, go to [ird.govt.nz/contactus](https://ird.govt.nz/contactus)