

Getting lump sum payments - employees

When you get a lump sum payment or “extra pay”, it can affect the amount of tax you pay. It can also affect your ACC, KiwiSaver and student loan repayments and may affect your entitlements.

Lump sum payments (“extra pay”) include

- back pay
- back-paid holiday pay
- lump sum holiday pay
- annual or special bonuses
- cashed-in annual leave
- retiring or redundancy payments
- payments for accepting restrictive covenants
- exit inducement payments
- gratuities
- employee share schemes benefits

Income tax and ACC

How much tax and ACC contribution your employer takes out of your pay, depends on which tax code you chose on your **Tax code declaration - IR330** form. You're taxed on what you earn over a whole year.

Your employer will:

- review your recent income and annualise the amount.
- add the lump sum to the amount and work out how much tax and ACC to deduct.

You can see how this is done at ird.govt.nz/calculate-lump-sum-pay or ird.govt.nz/calculate-lump-sum-pay-end-employment depending on the situation.

If you know you're getting a lump sum payment, talk to your employer to make sure they're going to deduct enough tax and ACC. You can ask them to deduct more tax if you think you might end up with a debt at the end of the year.

Tax on back-dated lump sum payments from Work and Income, ACC or Veteran's Affairs may be calculated differently refer to ird.govt.nz/backdated for more information.

KiwiSaver

Your employer or previous employer may deduct KiwiSaver from your lump sum payment. You'll also be entitled to employer contributions.

Student loan

Your employer or previous employer may deduct student loan repayments from your lump sum. Check with your employer to make sure they have made a deduction, if you're owed lump sums from them.

If student loan repayments aren't taken out you may get a Income Tax assessment at the end of the year showing you need to make a student loan repayment. You can work out your student loan obligation using the calculator at ird.govt.nz/tools-calculators.

Working for Families

If you get a lump sum payment, you can use our Estimate your Working for Families calculator at ird.govt.nz/tools-calculators to work out how the lump sum might affect your entitlement.

If you do need to tell us about a change to your family income you can do it online using myIR or over the phone.

Tell us about changes to your income as soon as you can, so we can work out your entitlement and you don't get a debt.

Child support

A lump sum may affect your child support for the current and following year.

If you've estimated your income in the current year and you didn't include the lump sum, contact us to discuss estimating your income again.

If you're a parent, the lump sum is part of the income we use to work out how much you'll pay or receive in the next year.

When you get your next year's assessment or entitlement notice, you may need to contact us. You might have to estimate your income so we can work out your child support using the right amount.



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Go to our website for information and to use our services and tools.



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