



**Inland Revenue**  
Te Tari Taake

**IR335**  
June 2023

# Employer's guide

Information to help you with your responsibilities as an employer

## **COVID-19**

Having difficulty paying taxes due to the impact of COVID-19?  
We can help you – see [ird.govt.nz/covid-19](https://ird.govt.nz/covid-19) for details.



# Introduction

If you have anyone working for you, it's your responsibility to deduct tax and other amounts from payments you make to them, as well as giving information to us. We explain what you're required to do and what happens if you do not comply.

If you have not yet registered as an employer, read our **First-time employer's guide - IR333**. It tells you what you need to know before you register as an employer.

If you need help with any of your employer responsibilities, or you have questions about anything in this guide, please call us on 0800 377 772.

## Work permits

If you're thinking of hiring someone from overseas, they may need a work permit. Only citizens and permanent residents of New Zealand and Australia may work in New Zealand without one.

**Note:** In some cases a visitor or student permit or other entitlement may allow employment in New Zealand. For more information about this and work permits please go to [www.immigration.govt.nz](http://www.immigration.govt.nz) or call the New Zealand Immigration Service on 0508 558 855.

## Changes to note

From 1 April 2023, the following changes came into effect:

- The Student Loan repayment threshold has increased to \$22,828.
- The ACC earners' levy has increased to \$1.53 per \$100 (1.53%). Levies are only deducted on earnings up to a maximum of \$139,384 and the total maximum levy payable is \$2,132.57.

## ird.govt.nz

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

- **Log in or register for myIR** - manage your tax and entitlements online.
- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

## Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

## How to get our forms and guides

You can get copies of our forms and guides at [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

# How to use this guide

## **Part 1 - Your responsibilities as an employer**

An explanation of your day-to-day responsibilities, what is an employee, and what you may have to deduct from your employees' wages.

## **Part 2 - Record keeping and making payments**

Learn what records you need to keep, how often to make payments to us, the forms you need to complete, and what to do if you stop employing staff.

## **Part 3 - Other payments**

Employers may make payments to their workers other than normal wages. Find out about the tax treatment of these other types of payments.

## **Part 4 - Penalties**

Learn what the penalties and charges are if you fail to meet your tax responsibilities.

## **Part 5 - Special types of workers**

Find out how to deduct tax from the payments you make to special types of workers.

## **Part 6 - Services you may need**

Our services, contact details and other useful information.

# Contents

## Part 1 - Your responsibilities as an employer

Who is an employee?	5
Minimum employment rights and obligations	5
Amounts you'll need to deduct	6
Deducting PAYE	6
Tax codes	6
Non-notified rate	7
Tailored tax codes and student loan special deduction rate certificates	8
Schedular payments	10
If a worker has a <b>Certificate of exemption - IR331</b>	11
ACC earners' levy	11
KiwiSaver	12
Student loan deductions	12
Child support deductions	13
Deducting employees' arrears	15
Payroll giving	15
Employer's superannuation cash contribution (employer contribution) and ESCT	16

## Part 2 - Record keeping and making payments

Records you need to keep	20
PAYE intermediaries	20
Manual record keeping	20
Paying PAYE to Inland Revenue	21
<b>New employee details - IR346</b>	22
<b>Completing the Employment information - IR348</b>	23
Child support codes	26
Correcting your IR348 after it's been filed	26
Electronic filing (myIR)	29
How to pay your deductions	29
When an employee stops working for you	29
If you've ceased or are about to cease providing fringe benefits	30
If you cease to employ staff	30
If you've ceased or are about to cease business	30

## Part 3 - Other payments

Allowances	31
Lump sums (extra pays)	36
Regular bonuses	41
Holiday pay	42
Loss of earnings compensation paid by ACC	43
Honoraria	43
Payments to school trustees	44
Life insurance and personal accident premiums	44
Prize money paid at sporting events and competitions	44

## Part 4 - Penalties

Late filing penalty	46
Interest	46
Late payment penalties	46
Non-electronic filing penalty	47
Shortfall penalties	47
Non-payment of employer deductions	47
Failing to make deductions	47
Failing to pay deductions	48
Evasion	48
Additional student loan penalties	48
Additional child support penalties	48
Prejudice	48
Employee start and finish information penalties	48
Audit procedures	49
If you disagree	49

## Part 5 - Special types of workers

Casual agricultural workers	50
Commission agents	50
Directors	50
Drovers and musterers	50
Election-day workers	51
Fishers	51
Foreign fishing workers	51
IR56 taxpayers	51
Jockeys and trotting drivers	51
Musicians, dance bands and orchestras	51
Non-residents	52
Partners in a partnership	53
Piece-workers and outworkers	54
Recognised seasonal workers	54
Television and screen production industry workers	54
Shareholder-employees in close companies	55
Shearers, shedhands and shearing contractors	55
Spouses or partners	56
Subsidised workers	56
Workers engaged in "activity in the community" projects	57
Workers under labour-only contracts in the building industry	57
Working owners of a look-through company	57

## Part 6 - Services you may need

Need to speak with us?	58
0800 self-service numbers	58
How to get our child support forms and guides	58
Voice ID	58
Supporting businesses in our community	58
<i>Tax Information Bulletin (TIB)</i>	58
Privacy	59
If you have a complaint about our service	59

# Part 1 - Your responsibilities as an employer

Here, we explain the tax codes and various amounts you'll need to deduct from your employee's pay. You must pay these amounts to us by the due dates.

## Who is an employee?

It's very important you're sure that the people who work for you are your employees, or if they're self-employed. This is because tax, KiwiSaver, student loan and accident compensation laws treat the two groups of people differently. You're responsible for your employees' tax deductions.

It's illegal to treat a true employee as self-employed to avoid deducting tax. If you do this you may be prosecuted, fined, and still have to pay the amount of PAYE (pay as you earn) you should have deducted.

In most cases it will be quite clear if someone is an employee. Generally, if you control how and when the person's work is done, the person is your employee.

If you answer "yes" to all or most of the following questions, the worker is probably your employee.

- Do they have to do the work, rather than being able to hire someone to help?
- Can you tell them what to do on the job, and when and how to do it?
- Do you pay them at a set rate (eg, hourly, weekly, monthly, or by unit of production)? A person paid by commission or on a piece-work basis may still be an employee, especially if there are other employees who work on the same basis.
- Can they get overtime or penal rates?
- Do they work set hours, or a given number of hours, each week or month?
- Do they work at your premises, or at a place you specify?
- Do you set the standards for the amount and quality of their work?

### Note

A person can be self-employed in one line of work and still work for someone else as an employee.

## For more help

If you need more help to decide whether your worker is an employee, see our leaflet **Self-employed or an employee? - IR336**.

If you're still not sure, call us on 0800 377 772.

If you decide someone is not an employee, you may still have to deduct tax from any schedular payments you make to them (see page 10).

## Minimum employment rights and obligations

It's important to know what the minimum employment rights and obligations are.

Minimum employment rights include the following:

- Every employee must have a written employment agreement.
- Every employee is entitled to four weeks' paid annual holidays at the end of each year of employment.
- Every employee aged 16 and over must be paid at least the applicable minimum wage.
- Every employee is entitled to 11 public holidays off work on pay if they are days the employee would normally work.
- Every employee is entitled to 10 paid sick days after six months of employment.

Employer's obligations include:

- keeping accurate records of the employees' time worked, payments, and holiday and leave entitlements
- keeping signed copies of employment agreements
- taking all practicable steps to ensure employees' safety
- providing personal protective equipment for employees
- ensuring the person they're employing has the legal right to work in New Zealand.

For more information on the minimum employment rights and obligations go to [www.employment.govt.nz/minimum-rights-of-employees](http://www.employment.govt.nz/minimum-rights-of-employees) or call the Ministry of Business, Innovation and Employment on 0800 209 020.

## Amounts you'll need to deduct

PAYE is the basic amount of income tax you take out of your employees' wages whenever you pay them. PAYE includes an ACC earners' levy - see page 11. Besides PAYE, there are other amounts you may have to deduct from your employees' pay - these include student loan repayments, child support and KiwiSaver deductions.

## Deducting PAYE

You can use the PAYE calculator at [ird.govt.nz](http://ird.govt.nz) to calculate the amount of tax to deduct from an employee's gross wages. You can also work out how much PAYE you'll have to account for, if you've paid the employee a net amount.

## Tax codes

### Tax code declaration

All new employees must complete a **Tax code declaration - IR330** when they start working for you. Each employee needs to read the notes on the IR330 to work out their correct tax code.

If their tax code remains the same, there is no need for them to complete a new tax code declaration every year, but if they want to change their tax code, they must fill out a new IR330.

If you are paying contractors schedular payments, they will need to complete the **Tax rate notification for contractors - IR330C**. See page 7 for more details on contractors and schedular payments.

You must keep the tax code declarations for seven years after the last wages payment is made to the employee.

If you need extra forms, you can print them from [ird.govt.nz](http://ird.govt.nz) photocopy them or order them - see page 58.

### Employees on the wrong tax code

It's important your employees use the right tax code. Using the correct tax code can help your employee avoid a tax bill at the end of the year, or underpayment of their student loan.

We regularly check the details on your **Employment information - IR348** to ensure the right amount of tax and student loan repayments are deducted from the salary or wages of your employees.

When we identify a salary or wage earner using the wrong tax and/or student loan repayment code, we'll ask you to change it. We'll tell you which employees are using incorrect tax codes and let you know which code they should be on. To make sure they pay the correct amount of tax or student loan repayments as quickly as possible, you'll need to change their tax code to the correct code starting the next pay period.

We'll also let the employee know they're using the incorrect tax code for their circumstances and we've asked you, as their employer, to change it from their next pay period.

If any of your employees disagree with this change, ask them to contact us.

However, if they provide a new IR330 after receiving the letter, you'll need to deduct according to their elected code.

### Primary employment

Most employees have one job which is their main or only source of income. This job is primary employment. A taxable pension, benefit or student allowance can be primary employment if it's the main or only source of income.

An employee can use only one primary tax code for their main source of income at any time, ie, M or ME. Employees who are repaying their student loan should use the M SL or ME SL tax code - see page 12. The IR330 explains how to select a tax code.

Once you have the employee's tax code, use the PAYE tables or our online PAYE calculator to work out how much PAYE to deduct from each pay.

### Secondary employment

If an employee is already using a primary tax code (M or ME, M SL or ME SL for their main source of income from a job or a benefit) and decides to take another job, that other job is secondary employment.

The employee must complete another IR330 for secondary employment, using one of the secondary tax codes: SB, S, SH, ST or SA. Employees with student loans must use the SB SL, S SL, SH SL, ST SL or SA SL code.



See the PAYE tables for the current secondary tax rates. Employees can choose to have their secondary income taxed at a higher rate than would be deducted if they used the S code, by selecting either the SH, ST or SA codes on their IR330.

Using the correct secondary tax code will reduce the likelihood of a tax bill at the end of the year.

Unlike the primary tax codes, an employee can use the secondary tax codes on more than one IR330 at the same time.

#### *Example*

Belinda has one full-time job and three part-time jobs. She uses a primary tax code for her full-time job and a secondary tax code for her three part-time jobs.

If an employee works for you using a primary tax code and also does different work for you outside normal working hours, you would generally add the payment for the unrelated work to the normal pay and calculate PAYE on the total payment.

However, where the unrelated work covers a different period from the normal pay period, or separate wage records are kept (eg, the work is undertaken in a different department), use the secondary tax code. The employee must fill in a separate IR330 if the secondary code is used.

#### *Example*

Amy works in the spraypainting division of Cars & Cars Ltd between 8 am and 5 pm, Monday to Friday, and is paid fortnightly. She also works between 6 pm and 10 pm, Tuesdays and Thursdays, in the glass division of Cars & Cars Ltd, and is paid monthly. Amy has completed two IR330s - the one for the spraypainting division shows the tax code "M", while the one for the glass division shows the tax code "S".

## Non-notified rate

### Employees receiving salary and wages

When an employee does not give you a fully completed **Tax code declaration - IR330**, deduct PAYE at the non-notified rate. A fully completed IR330 must include their:

- name
- IRD number, and
- tax code.

You must also deduct tax at the non-notified rate if they do not provide you with an IR330 at all.

The non-notified rate is 46.53 cents in the dollar (including ACC earners' levy).

If an employee does not fill in an IR330 form or complete it fully, enter "ND" as the tax code on your **Employment information - IR348**.

This is how to calculate PAYE at the non-notified rate for salaries and wages.

1. Take gross earnings.
2. Add the value of taxable allowances, if any.
3. The total is "earnings subject to PAYE".
4. Work out PAYE at the rate of 46.53 cents in the dollar. Use whole dollars only.

#### *Example*

Basic weekly pay is \$385.75. The PAYE on whole dollars is  $385 \times 0.4653$ .  
PAYE to be deducted is \$179.14.

### Contractors receiving schedular payments

When a contractor receiving schedular payments, does not give you a **Tax rate notification for contractors - IR330C** form you are required to use the non-notified rate. You must also use this rate when they give you the IR330C but have not provided their name and IRD number. The rate you deduct is 45 cents in the dollar, unless the contractor is a non-resident contractor company where the rate is 20 cents in the dollar. Still show the tax code as WT on your **Employment information - IR348**.

If they give you a completed IR330C but have not provided a tax rate use the standard rate for their activity located on page 3 of the IR330C.

For more information on schedular payments see page 10.

## Tailored tax codes, rates and student loan special deduction rate certificates

For some employees or other workers, you may have to deduct tax at a special rate, or not deduct tax at all. You'll receive a certificate that tells you the rate you should use. If you do not receive a certificate, you must deduct the normal rate of tax and other deductions.

### Note

If the certificate authorises you to deduct earners' levy only (no PAYE) the earners' levy amount should be shown in the "PAYE tax" column of your employer information.

People who receive wages or schedular payments may apply to us for a special rate which authorises you to deduct:

- PAYE using a specified code
- tax at a certain rate
- earners' levy only, or
- student loan repayments at a specified rate.

The standard deduction rate for student loans is 12 cents in the dollar.

<b>Employee name</b>	Bloggs Smith
<b>IRD number</b>	123-456-789

### Change student loan deduction rate

You need to change how you calculate student loan deductions for Bloggs Smith. Please use the new student loan deduction rate below.

New rate to use	0.00%
Make this change from	1 May 2023
Make this change until	30 July 2023
Certificate number	98765432

### How to calculate student loan deductions using the new rate

As your employee is using the tax code **MSL**, the formula for calculating student loan deductions is:

Student loan deduction = (gross earnings – pay period repayment threshold) × 0.00%

### Pay period repayment thresholds

How often you pay your staff	Threshold
Weekly	439.00
Fortnightly	878.00
Four-weekly	1,756.00
Monthly	1,902.33

## Checking the certificate

When you receive a certificate, make sure it's valid. Check:

- the person named on the certificate is the person working for you and the IRD number is the same as their IR330 or IR330C
- it's for the current tax year
- it shows the rate at which tax is deducted
- it shows the period it applies for.

If the employee's tailored tax code/rate certificate expires and is not replaced by another certificate or an IR330 or IR330C, and the employee has previously provided a completed IR330 or IR330C during their period of employment, then use the tax code or rate specified on the previous IR330 or IR330C. If the employee has not previously provided an IR330 or IR330C then place the employee on the non-notified tax rate until an IR330 or IR330C or new certificate is provided.

## Making deductions

Calculate the tax by multiplying the employee's gross pay by PAYE at the special rate shown.

### Example

An employee's certificate shows the following: PAYE deducted at the rate of 23 cents in each dollar of gross income.

Earners' levy deducted - multiply gross income by 0.0153.

Gross earnings for pay period are \$1,000.

Rate to deduct from employee's wages is  $23 + 1.53 = 0.2453$  cents.

PAYE to be deducted is \$245.30 ( $\$1,000 \times 0.2453$  cents).

If a student loan deduction rate is shown on the certificate, use this rate to calculate the student loan deduction.

As they have a special deduction rate for their student loan, you do not need to use the student loan repayment column in the PAYE tables.

Deduct PAYE using the M, ME, SB, S, SH, ST or SA rates shown in the tax tables or the rate shown on the tailored tax code certificate, then add the student loan deduction rate.

### Example

An employee's certificate shows the following: PAYE deducted under tax code S SL.

Student loan repayments at the rate of five cents in each dollar of gross income.

Fortnightly gross earnings are \$1,000.

Student loan to be deducted is \$50 ( $1,000 \times 0.05$ ).

PAYE deducted \$190.30 (using tables from 1 April 2023).

## What tax code goes on your Employment information - IR348?

- If the certificate shows a tailored rate for PAYE, show "STC" in the tax code box on your **Employment information - IR348**.
- If the certificate shows a special deduction rate for student loans, use the tax code shown on the certificate on your IR348.
- If the certificate shows a tailored rate for PAYE and a rate for student loans, show "STC" in the tax code box on your IR348.
- If the certificate shows a tailored tax rate for schedular payments, show "WT" on your IR348.

### Note

If you pay a bonus to an employee who has a tailored tax code you need to deduct tax at the rate shown on the certificate.

## Schedular payments

Schedular payments are payments made to people who are not employees but who are employed on a contract-for-service basis, often known as contractors - see page 5 for information to help you work out who is an employee.

Most contractors can choose the rate of tax to be deducted from their payments if they do not use the standard rate for their activity.

The rate they can choose is subject to a minimum rate of:

- 15 cents in the dollar for non-residents and those on a temporary entry class visa, and
- 10 cents in the dollar for everyone else.

Non-resident entertainers and professional sportspeople visiting New Zealand are the only contractors that cannot choose a rate, theirs will always be 20 cents in the dollar.

The main activities and the standard tax rate for each activity are listed on the back of the IR330C. If you're paying someone to do one of the types of work listed you must deduct tax from the payments.

Tax is deducted even if the worker is registered for GST. The only exception is if they provide you with a **Certificate of exemption - IR331** - see page 11, or a **0% tailored tax rate certificate**.

Some types of schedular payments - such as commissions, directors' fees and payments to non-resident contractors - are covered in more detail in Part 5.

If the type of work you've hired your contractor to do is not listed on the back of the IR330C you do not need to ask them to complete an IR330C or deduct tax from payments you make to them.

### Voluntary schedular payments

Contractors who otherwise would not be required to have tax deducted from their payments can opt to have tax deducted. They must discuss this with you first and if you agree you must have this agreement in writing. It's recommended the agreement include:

- your name and the name of the contractor
- agreement that all payments made to the contractor will be treated as voluntary schedular payments
- the period this applies to, and
- signature of both you and the contractor.

They must also provide you with an IR330C. If they do not choose a tax rate use the standard rate of 20 cents in the dollar.

#### Note

Do not deduct earners' levy, KiwiSaver deductions or student loan repayments from schedular payments – this is the worker's responsibility, not yours.

Do not deduct tax from schedular payments made:

- to a company, except a company that is:
  - a non-resident contractor
  - a non-resident entertainer
  - receiving payments made to it under certain labour hire arrangements
  - involved in agriculture, horticulture or viticulture whose work or services are provided under a contract or arrangement for the supply of labour, or substantially for the supply of labour, on land in connection with fruit crops, orchards, vegetables or vineyards.

This does not include:

- post-harvest facilities for work or services provided
- a management entity under a formal management agreement under which the entity is responsible for payment for the work or services provided.
- to a non-resident contractor who is eligible for total relief from tax through a double tax agreement, and/or is present in New Zealand for a total of 92 days or less in any 12-month period
- to or for the contract activities of a non-resident contractor who has been paid \$15,000 or less in total from all payers in any 12-month period
- for work or services completed by a public, local or Māori authority
- to a holder of a current certificate of exemption.

A worker who is GST-registered will charge GST on goods and services supplied. This means the worker's gross earnings will increase by the GST charged.

If the worker gives you taxable supply information, work out and deduct tax on the amount, excluding GST.

**Example**

You receive taxable supply information showing:

Cost of labour	\$ 500.00
Plus GST (15% of \$500)	\$ 75.00
	\$ 575.00

Calculate tax on GST-exclusive amount:

GST-exclusive amount	\$ 500.00
Less tax (20% of \$500)	\$ 100.00
	\$ 400.00

Plus GST from the taxable supply information	\$ 75.00
Net payment	\$ 475.00

You deduct tax from the \$500. Show the \$500 as the gross payment and \$100 in the PAYE section on the **Employment information - IR348**.

Show a WT tax code when completing the IR348 for a schedular payment recipient.

## If a worker has a Certificate of exemption - IR331

People who are in business for themselves, and who receive a schedular payment can apply for a certificate of exemption from PAYE.

A certificate of exemption may also be held by a non-resident contractor undertaking contract activity in New Zealand. See page 53 for further information.

If a worker has a certificate of exemption, you can make payments without deducting tax. It cannot be used to exempt an employee's salary or wages from deducting PAYE.

A certificate of exemption cannot be used for payments made to a contractor who is receiving schedular payments under certain labour hire arrangements.

### Checking the IR331

When someone shows you a certificate of exemption, you must check it is valid and current.

If the certificate is valid and current, do not deduct tax from payments you make to them.

If the certificate is neither valid nor current, the worker must complete a **Tax rate notification for contractors - IR330C**. You must deduct tax from payments you make.

You do not need to include tax-exempt payments on your **Employment information - IR348**. However, you must keep a record of these payments.

It's a good idea to keep a record of the certificate number, in case we review your records.

## ACC earners' levy

All employees must pay an ACC earners' levy to cover the cost of non work-related injuries. We collect this on behalf of the ACC.

The earners' levy has been built into the PAYE tables and is deducted along with the tax, so you do not need to do any extra calculations for it in each pay period.

Almost all earnings subject to PAYE are liable for the levy. They include:

- wages and salaries
- overtime pay
- backpay and holiday pay
- long-service leave pay
- bonuses or gratuities
- taxable allowances
- shareholder-employee salaries that have PAYE deducted
- salaries to partners in a partnership
- salaries to working owners of a look-through company.

The main exceptions are schedular payments, retirement payments, redundancy payments, benefits from an employee share scheme, jury fees, witness fees, taxable and non-taxable pensions, and tax-free allowances.

ACC will invoice close company employers for earners' levy on shareholder-employee remuneration that does not have PAYE deducted.

The levy will be based on the shareholder-employee remuneration declared in the company's IR4 income tax return.

## KiwiSaver

You must make KiwiSaver available to all employees. You are required to provide the KiwiSaver status for all employees.

As an employer you're required to:

- check whether new employees are eligible to join KiwiSaver
- check whether new or returning employees who had previously opted out should be automatically enrolled
- give the **KiwiSaver employee information pack - KS3** to:
  - new or returning employees who qualify for automatic enrolment, and
  - existing employees who want to opt in
- give us information about:
  - all new employees who qualify for automatic enrolment, and
  - eligible employees who want to opt in to KiwiSaver
- give new employees a written statement and product disclosure statement if you have an employer-chosen scheme
- contribute to your employee's KiwiSaver scheme or complying fund (some exceptions apply).

### Note

For more information please read our **KiwiSaver employer guide - KS4**.

## Student loan deductions

As well as deducting PAYE, you may need to make deductions for student loans.

If your employee has a student loan they'll use a tax code with the "SL" student loan repayment code (M SL, ME SL, SB SL, S SL, SH SL, ST SL or SA SL) on their **Tax code declaration - IR330**.

Student loan repayment deductions are required to be made from each pay if the employee's gross earnings for the pay period exceeds the threshold for their pay frequency, shown in the table.

### Student loan pay period repayment thresholds

Frequency	Threshold
Weekly	\$439
Fortnightly	\$878
Three-weekly	\$1,317
Four-weekly	\$1,756
Monthly	\$1,902.33

Student loan deductions are calculated as:

1. gross earnings for the pay period (regular pay plus any extra pay)
2. minus pay period repayment threshold
3. multiply by 12%

### Example

An employee, Joe, has a student loan and is paid a fortnightly pay of \$1,700. Student loan deductions are calculated as follows:

Pay	\$1,700
Threshold	\$878
Liable income	\$822
$\$822 \times 12\%$	\$98.64

Student loan deductions on this pay are \$98.64.

You can also refer to the PAYE deduction tables for the amount of student loan repayments to be deducted from each pay.

The student loan repayments must be paid to us together with the PAYE deducted.

If your employee tells you part-way through the year that they should have been using one of the tax codes with "SL", deduct the repayments only from the time you get the new code.

It's important your employees are using the correct tax and/or student loan repayment code. Using the correct code can help your employee avoid a tax bill or underpayment of their student loan - see page 6 for more details.

### Student loan special deduction rates

Sometimes the tax code your employee must use will mean they pay more than they need to for their student loan. For example, if your employee's tax code is SB SL or S SL, the 12% standard student loan deduction rate for their secondary earnings may be too high. Your employee may give you a student loan special deduction rate certificate

to lower the amount of student loan deductions required from their earnings. The certificate will tell what rate to deduct student loan repayments at, and the length of time it's valid for.

Only the employer named on the certificate is authorised to make the student loan deductions at the special deduction rate shown.

The certificate may authorise you to do one of the following:

- deduct no student loan repayments at all or
- deduct student loan repayments at a rate lower than standard rate.

### Student loan repayment deduction exemptions

Employees who study full-time and expect to earn under the annual repayment threshold (\$22,828 for the 2024 tax year) may be exempt from having student loan repayments deducted from their salary or wages.

You do not have to make student loan deductions for an employee who gives you a student loan repayment deduction exemption certificate. The certificate specifies the period covered by the exemption. You do not use an "SL" repayment code when you calculate their pay during this period.

As soon as the exemption period ends:

- add the "SL" repayment code back into your employee's tax code, and
- start making student loan deductions from their pay

otherwise, they will have significant under-deductions.

### Student loan extra deductions

Your employees may ask you to make extra deductions to pay off their loan faster or we may ask you to make compulsory extra deductions to catch up on an underpayment. These deductions are in **addition** to the amount you normally deduct using the student loan repayment code they've given you.

You must show extra deductions separately on your **Employment information - IR348** in either:

1. SLBOR - employee requests voluntary extra deductions
2. SLCIR - we request you to make compulsory extra deductions.

You'll need to keep separate records of PAYE and student loan repayments.

By law, you cannot discriminate in any way against any employee because of their student loan responsibilities - see page 48 for more details.

#### Note

Do not deduct student loan repayments from schedular payments - see page 10.

## Child support deductions

Inland Revenue Child Support assesses and collects child support from parents who do not live with their children fulltime.

The payments we collect are paid to the receiving carer of the child. If they are a beneficiary, the payments are passed on to the government.

If Inland Revenue is assessing and collecting a person's child support it is compulsory for them to pay their child support by having deductions made from their employment income. If we ask you to deduct child support from any employee's wages, you're required to do this by law.

We work out how much child support to deduct from a paying parent each pay. We use the employer information you provide about how often you pay your employees and their regular pay day, so it is important this information is correct.

If an employee asks you to stop or start deducting child support you should refer them to Inland Revenue.

### Child support deduction notice

When we have all the information, we'll send you a child support deduction notice. This tells you to deduct child support payments from your employee's pay.

The notice shows:

- your employee's name and IRD number
- the frequency and payday when you must start deducting child support
- the amount to deduct from each pay
- whether the notice replaces any earlier child support deduction notice.

Do not make any deductions before the start date on the notice.



If the payday or pay frequency specified on the notice is different from your actual payday or pay frequency, it is important that you contact us so we can change our records.

If our information is not correct this will mean the deductions we calculate for the employee may not cover the amount of child support they need to pay, or your employee may be charged unnecessary late payment penalties.

When we need you to stop deducting child support we will send you a notice advising the date to make the final deduction.

If the amount changes during the year, we'll send you another child support deduction notice. This will show the new amount of child support and when you must start deducting it.

If you have more than one employee you need to deduct child support for, we will send you a consolidated deduction notice that will provide the details of all the employees that you need to start, stop or change child support deductions for. These deduction notices will be sent to your myIR account. If you do not have myIR we will post them to you.

Child support has priority over any other deductions from an employee's net pay. This means after you have deducted PAYE, you must deduct child support before you deduct anything else (such as student loan repayments, insurances, KiwiSaver and other superannuation deductions, or union fees).

We might ask you to deduct child support from payments to someone who is not your employee, such as a contractor or a commission agent. These should not be added to your **Employment Information – IR348**. The notice we send you explains how to make and pay the deductions.

We will send you a consolidated deduction notice that will provide the details of all of the employees that you are needing to start, stop or change child support deductions for.

These deduction notices will be sent to your myIR account. If you do not have a myIR account we will post them to you.

## Protected net earnings

All employees must be allowed to keep 60% of their net pay, after PAYE (but not the earners' levy) and child support is deducted. This is the employee's "protected net earnings", to cover their living expenses.

### Example

Weekly gross pay \$1,250.

Tax code M

PAYE (from the tax tables from 1 April 2023, including ACC earners' levy) \$259.89.

ACC earners' levy ( $\$1,250 \times 1.53\%$ ) \$19.12.

Net earnings  $\$1,250 - \$259.89 + \$19.12 = \$970.19$ .

Maximum child support that could be deducted is 40% of  $\$970.19 = \$388.07$ .

Protected net earnings apply to child support only. You must still make other deductions such as student loan repayments, KiwiSaver deductions, insurances, superannuation and union fees from the protected net earnings.

Protected earnings are usually only affected if your employee receives less pay than usual for some reason. If you're asked to deduct more than 40% of your employee's net pay, you must not deduct the full amount of child support. If you're not deducting the full amount of child support, do not make up the difference from future pays. We'll arrange with the employee to pay the balance owing.

### Example 1 - Full wages paid

John is liable for payments of \$70 child support each week.

John's weekly wage	\$ 420.00
--------------------	-----------

PAYE deducted (M tax code)	\$ 61.07
----------------------------	----------

ACC earners' levy	<u>\$ 6.42</u>
-------------------	----------------

Net earnings	\$ 352.51
--------------	-----------

40% of \$352.51 is	\$ 141.00
--------------------	-----------

Because \$70 is less than 40% of John's net pay (\$141.00) the full amount of child support can be deducted.



**Example 2 - Less than full wages**

John has had three days leave without pay in a week.

John's reduced wage	\$ 168.00
PAYE deducted (M tax code)	\$ 20.21
ACC earners' levy	\$ 2.57
Net earnings	\$ 145.22
40% of \$145.46 is	\$ 58.08

Because \$70 is more than 40% of John's net pay (\$58.08) the full amount of child support cannot be deducted, otherwise John would be left with less than 60% of his net pay. Any other deductions, like, student loan deductions, would still have to be taken out of John's remaining pay.

**Paying child support deductions**

You'll need to show the amount deducted each pay day on the **Employment information - IR348**. You also need to tell us if you cease employing a person or if the amount you deduct is different from what we requested. You do this by using one the "child support codes". See pages 23 to 29 for instructions on completing the **Employment information - IR348**, and information on child support codes. You must keep records of child support deducted along with your normal wage records.

Employers who deduct child support should pay this at the same time as they pay their PAYE and other tax deductions.

It's important the IR348 shows all deductions made in each pay period, no matter whether you pay it to us monthly or twice-monthly.

**Employee privacy and prejudice**

The law requires you to protect the privacy of your employees who pay child support. You cannot give out information about their child support responsibilities (with two exceptions - see page 49).

By law, you cannot discriminate in any way against any employee because of their child support obligations. It's very important you read the full statements about privacy, prejudice and penalties on pages 46 to 49.

**Deducting employees' arrears**

Sometimes, we're unsuccessful in our attempts to obtain payment from your employee(s) and may need your assistance. We may send you a notice requiring you to deduct tax or student loan arrears from an employee's wages. You must deduct any child support payments before tax or student loan arrears.

Pay the arrears to us by the end of each calendar month, separately from PAYE. Instructions on how to pay these deductions will be included in the deduction notice. You do not need to show these deductions in your IR348.

**Payroll giving**

Payroll giving is a voluntary scheme where employees can make donations from their pay to support approved donee organisations.

Employers can choose if they offer payroll giving and how it will run. You pass your employee's donations on to the chosen donee organisation and reduce their PAYE with a tax credit for payroll donations.

To offer payroll giving, you'll need to be completing your **Employment information - IR348** electronically.

**Employer's role**

If you offer payroll giving as an employer you're required to:

- deduct the requested donation amount from your employee's salary or wages
- calculate the correct tax credits for each payroll donation made
- record the tax credits for payroll donations on your employment information
- keep records of all tax credits for payroll donations, donation amounts, donee organisations and payment dates
- pass the donation on to the chosen donee organisation within the specified timeframe
- advise the donee organisation that the donations are made through payroll giving.

For more information please read our guide **Payroll giving - IR617**.

## Employer's superannuation cash contribution (employer contribution) and ESCT

An employer's contribution is a monetary amount paid made to a superannuation fund, by an employer, for the benefit of their employees. A superannuation fund is a scheme registered under the Superannuation Schemes Act 1989. All employer contributions paid to a superannuation fund, including KiwiSaver schemes and complying funds, are liable for ESCT (employer superannuation contribution tax). The exception to this is if the employee and employer have agreed to treat some or all of the employer contribution as salary or wages under the PAYE rules. See pages 16 - 19 for more information.

If your employees ask you to make deductions from their wages and pay them to a superannuation scheme, these are not employer contributions.

### ESCT

There are two options for calculating and withholding tax on employer contributions:

- If the employer and employee agree, the amount of employer contribution can be treated as the employee's salary or wages and PAYE must be withheld.
- In all other cases, ESCT must be withheld. ESCT is calculated at a rate based on the employee's total annual salary or wages plus gross employer contributions for the previous tax year (1 April to 31 March). When employees have not worked for the employer for the full previous tax year, the rate is based on the employer's estimate of the employee's total salary or wages plus gross employer contributions they will receive in the tax year for which the ESCT is being calculated.

#### Note

Employers paying into a defined benefit fund can choose to apply ESCT at the flat rate of 39 cents in the dollar.

If the employer is not treating the employer contributions as part of the employee's salary or wages, the employer must withhold ESCT at the time of making any employer contributions. If an employer does not do this, the ESCT is worked out on the grossed-up amount of the employer's superannuation contribution. Calculate the tax using this formula:

$$\text{ESCT} = \frac{a}{1 - a} \times b$$

Where:  $a$  is the rate of ESCT, and  
 $b$  is the actual amount paid to the fund.

The grossed-up contribution is the:

- actual amount paid to the fund, plus
- amount of ESCT worked out using the formula.

#### Example

An employer contributed \$1,000 to a superannuation fund. Using the formula, the amount of ESCT to be paid is:

$$\text{ESCT} = \frac{0.30}{0.70} \times \$1,000 = \$428.57$$

The gross superannuation contribution is:

The amount received by the superannuation fund	\$ 1,000.00
Plus the tax on that amount	\$ 428.57
Grossed-up contribution	\$ 1,428.57

Tax on \$1,428.57 at 30 cents in the dollar is \$428.57. The ESCT is deducted from the grossed-up contribution.

#### Note

The above formula and example assumes that no ESCT has already been paid for the contribution.

### ESCT rate based on 17.5 cents in the dollar

**Example**

Joe is a KiwiSaver member and employed by A & B Limited. Joe is contributing 3% of his salary and his employer has agreed to match the employee contributions dollar for dollar. This means that A & B Limited is also contributing 3% as employer contributions.

For the purposes of calculating ESCT:

Joe's four-weekly salary is	\$ 3,200.00
KiwiSaver deduction	\$ 96.00
Employer contribution	\$ 96.00
ESCT rate (0.175) × \$96.00	= \$ 16.80

A & B Limited would return the following information on the **Employment information - IR348**:

KiwiSaver deduction	\$ 96.00
Net KiwiSaver employer contribution	\$ 79.20

The employer contribution is made up of \$96.00 less ESCT of \$16.80.

A & B Limited would also account for the \$16.80 ESCT in Box 8 on their **Employment information - IR348** form.

**Note**

Read pages 23 to 28 on how to complete your **Employment information - IR348**.

In some cases an employer may be "locked-in" to an employment agreement where they contribute a set percentage of their employee's salary. In these cases it may be necessary to gross up the employer contribution so the employee receives their full entitlement. If this applied to A & B Limited's employment agreement with Joe the result would be:

**Example**

KiwiSaver deduction	\$96.00
Employer contribution	\$96.00

A & B Limited would then gross up their contribution to account for ESCT while ensuring Joe received the full 3% employer contribution using the following formula.

$$\frac{\text{ESCT rate (0.175)}}{1 - \text{ESCT rate (0.175)}} \times \$96.00 = \$20.36$$

A & B Limited would return the information on the **Employment information - IR348** as this:

KiwiSaver deduction	\$96.00
Net KiwiSaver employer contributions	\$96.00

A & B Limited would also account for the \$20.36 ESCT box on their **Employment information - IR348** form.

**Note**

If Joe's superannuation scheme was not a KiwiSaver scheme, the employer contribution would not be shown on the IR348, but ESCT must still be shown.

### ESCT rate based on employee salary or wages

The ESCT rate is based on the employee's salary or wages plus gross superannuation employer contributions received in the previous tax year, ie, 1 April to 31 March. The tax rate is used for all employer superannuation contributions made in the current tax year.

Employee's salary or wage income for year ended 31 March*	ESCT from 1 April
\$0-\$16,800	0.105
\$16,801-\$57,600	0.175
\$57,601-\$84,000	0.300
\$84,001 - \$216,000	0.330
\$216,001 upwards	0.390

\* This includes gross superannuation employer contributions.

ESCT is calculated on the whole dollar and is deducted from the gross employer contribution.

**Example**

Regan's Trucks Ltd employs John and makes employer's contributions on his behalf. John is not a KiwiSaver or complying fund member. He worked at Regan's Trucks Ltd for the full year 1 April 2022 to 31 March 2023, receiving a salary of \$36,400 and employer contributions of \$1,820.

For the 2024 tax year, Regan's Trucks Ltd elected to tax the employer's contributions using a rate based on John's previous year's salary and employer contributions. Because his salary, plus gross employer contributions, was between \$16,801 and \$57,600, the ESCT rate is 17.5 cents in the dollar.

John's salary is now \$39,000, or \$750 per week. Regan's Trucks Ltd's contribution to John's superannuation is \$37.50 (5%) of his salary a week. The amount paid to John's superannuation is not shown on the IR348.

If the superannuation contribution amount includes ESCT, the ESCT calculation is:

$$0.175 \times \$37.00 = \$6.47$$

The amount passed to John's superannuation scheme is \$31.03 (\$37.50 - \$6.47) and ESCT of \$6.47 is shown on the IR348.

If the superannuation contribution amount excludes ESCT, the ESCT calculation is:

$$\frac{0.175 \times \$37.50}{0.825} = \$7.95$$

The amount passed on to John's superannuation is \$37.50 and the ESCT amount of \$7.95 is shown on the IR348.

Where the employee did not work for the employer for all of the previous standard tax year, the employer must estimate the amount of salary or wages and gross superannuation employer contributions that will be earned by the employee in the current year, and base the ESCT rate on the estimate.

**Example**

Regan's Trucks Ltd employs Matt on 1 October 2023. Matt's contract says he will receive a salary of \$30,000 and employer contributions of \$1,500 a year. The company will estimate Matt's ESCT rate based on the amount of salary or wages plus gross employer contributions he will earn in the remainder of this tax year (1 October 2023 to 31 March 2024)\*.

Salary	\$ 30,000
Employer contributions	\$ 1,500
Total	\$ 31,500
$\$31,500 \div 12$ months	\$ 2,625
$\$ 2,625 \times 6$ months	\$ 15,750

Because the estimate of \$15,750 is between \$0 and \$16,800 the ESCT rate is 10.5%.

\* There are only six months left in the tax year. If an employee was only to be employed for three months the employer would estimate how much the employee would earn in those three months and base the ESCT rate on that estimation.

**Note**

As the employee started part-way through the current tax year, the employer must make a second estimation of the employee's earnings as the basis for the ESCT rate at the beginning of the following tax year (1 April 2024 to 31 March 2025).

You need to work out the ESCT rate for each employee. Do this at the start of the tax year (1 April).

If an employee's salary or wage changes during the tax year do not change the ESCT rate during the year. Change it at the start of the next tax year.

**Paying ESCT**

Pay any ESCT deducted with your PAYE by the due date.

**Taxing contributions at the employee's personal tax rate**

If employers agree, employees can choose to have all or part of the value of the employer's contribution included in their gross salary and wages and taxed under the PAYE rules. Employees must understand that classifying this amount as salary and wages will affect their Working for Families Tax Credits, independent earner tax credit entitlements, the amount of child support they pay and their student loan repayments. However, they can change back at any time.



The actual employer contribution is paid into the superannuation fund - the employee does not receive the contribution in the hand. The value of the employer contribution will be added to the employee's gross wages for the pay period and taxed at the appropriate rate using the PAYE tables. The rate will depend on the employee's tax code.

Contributions treated as salary and wages are subject to earners' levy (included in the PAYE tables).

There are two ways of paying the employer contribution to the superannuation fund:

- the gross amount is paid to the superannuation fund and the employee's net salary or wage is reduced by the amount of PAYE, or
- the net amount is paid to the superannuation fund after deducting the income tax component of the PAYE.

**Example**

Rachel is employed by Red Bottle Ltd. She belongs to KiwiSaver. Her employment agreement includes Red Bottle Ltd contributing \$50 (10%) a week to her KiwiSaver scheme, in addition to her normal weekly salary of \$500.

Rachel chooses to have these contributions included as part of her salary and her employer agrees. This means Red Bottle Ltd uses the total of her salary and the employer contributions of \$550 to calculate her PAYE.

1. If the superannuation contribution is paid as a gross amount, the calculation is:

Weekly gross	\$ 500.00
plus employer contribution	\$ 50.00
Total gross	<u>\$ 550.00</u>
PAYE on \$550.00	\$ 85.81
Weekly gross	\$ 550.00
less PAYE	\$ 85.81
less employer contribution	<u>\$ 50.00</u>
Net amount	\$ 414.19

Red Bottle Ltd shows this on the **Employment information - IR348** as:

Gross earnings	\$ 550.00
Net KiwiSaver employer contribution (Box 7)	\$ 50.00

**Example**

2. If the superannuation contribution is paid as a net\* amount, the calculation is:

Weekly gross	\$ 500.00
PAYE on \$500.00	\$ 76.30
Weekly gross	\$ 500.00
plus employer contribution	<u>\$ 50.00</u>
Total gross	\$ 550.00
PAYE on \$550.00	\$ 85.81
less PAYE on \$500.00	<u>\$ 76.30</u>
PAYE on employer contribution	\$ 9.51

Identify earner premium  
 $\$50.00 \times 1.53\% = \$0.76$

Deduct the earner premium from the PAYE on the employer contribution  
 $\$9.51 - \$0.76 = \$8.75$

Subtract tax on employer contribution from gross employer contribution  
 $\$50.00 - \$8.75 = \$41.25$

Weekly gross	\$ 550.00
less PAYE	\$ 85.81
less net employer contribution	\$ 41.25
Net amount	\$ 422.94

Red Bottle Ltd enters the information on the **Employment information - IR348** as:

Gross earnings	\$ 550.00
Net KiwiSaver employer contribution (Box 7)	\$ 41.25

\* "Net" refers to tax, not PAYE. The earners' premium must be removed before the tax is deducted from the gross employer contribution.

## Part 2 - Record keeping and making payments

Your records must be in English or Māori unless you've asked us for approval to use another language.

### Records you need to keep

You must keep all employment and wage records for at least seven years, including all pay sheets and PAYE payment receipts. You also need to keep all tax code declaration forms, KiwiSaver forms and any certificates and notifications you receive from your employees or Inland Revenue.

To help with your record keeping, you can get computer payroll packages or specially designed wage books.

### PAYE intermediaries

Employers can hire a PAYE intermediary to complete their payroll requirements. If a PAYE intermediary is used, both the employer and the intermediary must meet the following requirements.

#### Employers need to:

- provide information requested by the intermediary within the time agreed by the employer and intermediary
- pay employees' gross salary or wages (and compulsory employer contributions for employees' KiwiSaver schemes) for the pay period into a trust account established by the PAYE intermediary by the date specified by the intermediary
- keep records of the gross salary or wages paid for the period.

#### PAYE intermediaries:

- calculate the employer's respective payroll information
- pay the employer's respective employees, including payment of any third-party deductions
- pay the employer's respective tax deductions (including student loans, KiwiSaver, child support, ESCT and additional employee-related deductions) to us
- meet all the employer record keeping and return filing requirements.

Providing an employer has supplied the intermediary with all their relevant payroll information and gross payments, the responsibility for applying the PAYE rules correctly will rest with the intermediary and not the employer.

### Manual record keeping

- Start a new page in your wagebook as soon as an employee starts work with you or at the beginning of each tax year. Make sure they give you the personal details you need.
- Keep a separate page for each employee, even if they were only employed for one day.
- Complete all these wage details each payday:
  - total gross earnings, including taxable allowances (the amount before PAYE is deducted)
  - the amount of PAYE deducted
  - any child support deductions
  - any KiwiSaver deductions
  - any KiwiSaver employer contributions (gross)
  - any net KiwiSaver employer contributions
  - any student loan repayments
  - any student loan extra deductions
  - any ESCT (see page 16)
  - any tax credits for payroll donations (see page 15)
  - the value of tax-free reimbursing allowances.
- Summarise the details for each employee at the end of each deduction payment period.

The information in your wage book will help you complete your **Employment information - IR348 form** - see page 23.

Start a new page for each employee

Your employee gives you this code on the Tax code declaration - IR330

**Wagebook**

(a) Name: Joe Bloggs Employee's IRD number: 122-222-222

(b) Address: 10 KiwiSaver Way, Wellington Employee's tax code: MSL Date applied: 01/04/2016

(c) Occupation: Designer KiwiSaver member: Yes  No  Finish date:                     

(d) Date started: 1 November 2011 KiwiSaver deduction rate: 3.00% ESCT rate: 17.50%

Week Ending	Gross pay		PAYE calculated		Child support deductions		Student loans deductions		Student loans Extra deductions (SLBOR)		Student loans Extra deductions (SLCIR)		KiwiSaver deductions		Total deductions	Net after Tax & Deductions	Non taxable Allowances	Net Pay to worker	KiwiSaver Employer Gross CEC		ESCT		KiwiSaver Employer Net CEC	
	For Week	For Month	For Week	For Month	For Week	For Month	For Week	For Month	For Week	For Month	For Week	For Month	For Week	For Month					For Week	For Month	For Week	For Month	For Week	For Month
5/04/2016	800.00		134.75				57.96		25.00			24.00		235.71	564.29	5.00	569.29	24.00		4.20		19.80		
12/04/2016	800.00		134.75				57.96		25.00			24.00		235.71	564.29	5.00	569.29	24.00		4.20		19.80		
19/04/2016	800.00		134.75				57.96		25.00			24.00		235.71	564.29	5.00	569.29	24.00		4.20		19.80		
26/04/2016	800.00		134.75				57.96		25.00			24.00		235.71	564.29	5.00	569.29	24.00		4.20		19.80		
April 2016		3,200.00		539.00			207.84		100.00			96.00		942.83	2,257.16	20.00	2,277.16		96.00		16.80		79.20	

**Monthly summary of wages and tax deductions**

Employee's Name	Gross pay	PAYE calculated	Child support deductions	Student loans deductions	Student loan extra deductions (SLBOR)	Student loan extra deductions (SLCIR)	KiwiSaver deductions	Total deductions	Net after Tax & Deductions	Non taxable Allowances	Net Pay to worker	KiwiSaver Employer	ESCT
Rose Davies (012-723-142)	3,000.00	500.60						504.60	2,495.40		2,334.40		
Joe Bloggs (122-222-222)	3,200.00	539.00		207.84	100.00		96.00	942.83	2,257.16	20.00	2,277.16	79.20	16.80
Stacey Rawlins (12-111-222)	192.00	38.40						38.40	153.60		153.60		



**Paying PAYE to Inland Revenue**

If the PAYE due date for payment falls on a Saturday, Sunday, or public holiday, you can make your payment on the next working day without penalty.

Whether you pay your PAYE to us monthly or twice-monthly depends on your gross annual PAYE deducted. Gross annual PAYE is the total PAYE, including any ESCT, but excluding earners' levy, student loan repayments, KiwiSaver deductions and child support.

Your payment can be made electronically - see page 29.

**Note**  
If the gross annual PAYE and ESCT deductions are \$50,000 or more, you must file your IR348 electronically.

**Paying once a month**

If your gross annual PAYE (including ESCT) is less than \$50,000 you must pay PAYE monthly. PAYE is due by the 20th of the following month.

*Example*  
An employer pays wages fortnightly on Wednesdays.

Period PAYE deducted	Due date
October - (two paydays)	
10 and 24 October	20 November

**Paying twice a month**

If your gross annual PAYE (including ESCT) is \$500,000 or more in the previous year ended 31 March, you're required to pay PAYE:

- from wages paid between the 1st and 15th of the month by the 20th of the same month
- from wages paid between the 16th and the end of the month by the 5th of the following month, except for the second period of December, which is due on 15 January.

Period PAYE deducted	Due date
1 to 15 October	20 October
16 to 31 October	5 November
1 to 15 November	20 November
16 to 30 November	5 December

If your payment is made late, you'll be charged interest and may also be charged late payment penalties and non-payment penalties - see page 47.



**Note**

In deciding whether you're required to pay twice-monthly, we treat the following as one employer:

- any companies in a group that have 66% or more common ownership
- all partners in a partnership
- all persons who have control of the same property, such as
  - a deceased person's estate, or
  - a company in liquidation.

**Are you a new employer?**

A new employer is required to make payments to us once a month until your total amount of PAYE and ESCT is \$500,000 or more. From then on you must make payments twice a month.

To avoid late filing penalties, you need to let us know if you do not pay wages in any period. Find the best way to contact us at [ird.govt.nz/contact-us](http://ird.govt.nz/contact-us)

**New Employee and KiwiSaver details - IR346K**

You'll need to fill out new employee details. You can do this through your myIR account or by completing a **New Employee and KiwiSaver details - IR346K** form for each new or returning employee and send it to us either:

- before their first pay day; or
- with the **Employment information - IR348** form that includes their first pay.

You'll need their name, KiwiSaver status, IRD number, tax code and contact details. Include their date of birth if they have provided you with this information. After you submit your first **Employment information - IR348**, this information will be automatically shown on your subsequent IR348 forms.

**Payday filing**

Every payday you must complete an **Employment information - IR348** form, which has details of your employees' gross wages and deductions made.

If you are filing electronically the due date is within two working days after the payday.

If you are paper filing, you can choose to either:

- deliver the information within 10 working days of each payday, or
- deliver the information for payments between the 1st and the 15th of the month within 10 working days of the 15th; and for payments between the 16th of the month and the end of the month, within 10 working days of month end. Use the 15th and/or last day of the month as the payday(s) not the actual payday when filing employment information.

If you choose to file your employment information twice a month, you must show each payday for each employee in a separate entry on your employment information.

This rule also applies to shadow payroll payments, schedular payments and irregular payments to employees outside their regular pay day.

Employers with gross annual PAYE of \$50,000 or more must file their **Employment information - IR348** electronically. See page 29 for more information on electronic filing.

If you are paper filing, on your first IR348 you'll need to enter each employee's name, IRD number, tax code and start date. After that, we'll preprint this information on the IR348, and you'll only need to enter details of any new employees.

If any of the preprinted information is incorrect, cross it out and note the correct details on the form.

**Are you a new employer?**

For the first six months of employing staff, you can choose to file your returns on paper. If after six months you have exceeded the \$50,000 threshold, you will need to file your returns electronically.

**Exempt employers**

If you exceed the \$50,000 threshold and are required to file your returns electronically, you may apply for an exemption. In considering you for an electronic filing exemption, we will assess:

- the nature and availability of digital services to you, such as the reliability of the services
- whether you are able to use a computer, and
- whether the cost in delivering your employment information electronically would be unreasonable for your business' circumstances.



**Note**  
 For employees who have used both a PAYE tax code and schedular payment tax code (WT) during the month, please show the respective details for each tax code on separate lines when completing your IR348.

## Completing the IR348

Fill in the following details for each employee:

### Full name

Surname, then first name, for example, "Davies, Ross". Complete this if the employee has started working for you and their name does not appear on the IR348.

### IRD number

Complete this if the employee has started working for you and their details do not appear elsewhere on the IR348. Use the IRD number the employee has given you on the **Tax code declaration - IR330**.

### Tax code

Complete this if the employee has begun working for you during the month and their details do not appear on the IR348. Use the tax code the employee has given you on the **Tax code declaration - IR330** (or the tax code shown on the **Tailored tax code or student loan special deduction rate certificate** - see page 8).

If an existing employee tells you during the month they have changed their tax code, do not forget when completing your IR348, to cross out the old preprinted one and write in the new one.

### Employment start and/or finish date

If the employee has started or finished working for you during the month, show the relevant start and/or finish date.

The start date is the actual date the employee starts working for you. The finish date is the earlier of the date when the employee actually stops working for you or the date they receive their final pay.

If you cease employing, your final **Employment information - IR348** can show each employee's finish date on the IR348. You must also provide the employees finish date through the employees list in myIR or via an Employee details file.

### Pay period

Enter the start and finish date of the pay period in question.

### Pay frequency

Enter the payday frequency code. Use the following table to find your relevant code:

Code	Pay frequency
DA	Daily
WK	Weekly
FT	Fortnightly
4W	4 weekly
MT	Monthly
AH	Irregular/Ad-hoc

### Gross earnings and/or schedular payments

Write the total gross earnings paid to each employee during the pay period. Include bonuses, backpay, taxable allowances and schedular payments (except where no tax has been deducted because the employee has a certificate of exemption - see page 11). Show whole dollars only.

### Earnings and/or schedular payments not liable for ACC earners' levy

For each employee, write the amount of any earnings not liable for earners' levy. The following payments are not liable for earners' levy:

- schedular payments
- redundancy payments
- benefits from an employee share scheme
- retiring allowances
- pensions from schemes not registered under the Superannuation Schemes Act 1989.

If an employee earns over the maximum liable earnings threshold set for that year, the excess amount does not go in this column of your IR348.

For information on maximum earnings visit [ird.govt.nz](http://ird.govt.nz)

### Lump sums (extra pays) taxed at the lowest rate

Tick the box if a lump sum was paid and taxed at the lowest rate. Lump sum payments, such as annual or special bonuses, gratuities, or backpay, can be taxed at four different rates. See page 37 for more information on the lump sum rates.

### PAYE including schedular tax deductions

Write the total PAYE deducted from each employee's gross earnings for the pay period.

### Child support

Write the total child support deductions made from each employee's earnings for the pay period.

You may also need to fill in the child support (CS) code if the amount you have deducted is not what we are expecting or you cease employing the person. See "Child support codes" on page 26 for an explanation.

### Student loan deductions

Write the total student loan repayment deductions made from each employee's gross earnings for the pay period. This would be the amount deducted based on the PAYE tables or the amount set out in a tailored tax code certificate, a student loan special deduction rate certificate or a student loan repayment deduction exemption certificate.

### Student loan extra deductions (SLBOR/SLCIR)

Add student loan extra deductions to your **Employment information - IR348** under the fields provided for either SLBOR or SLCIR.

### Prior period adjustments (Gross/PAYE)

Write the amount of the adjustment that is being made for the employee in relation to a prior period. If you are making a negative adjustment, then the negative amount in these fields can only be equal to or less than the amounts in the corresponding gross earnings or PAYE fields for that employee.

### KiwiSaver deductions

Write the total KiwiSaver deductions made from each employee's gross earnings for the pay period.

### Net KiwiSaver employer contributions

Write the total net KiwiSaver employer contributions (net of ESCT) you've made to each employee's KiwiSaver scheme for the pay period.

### Employee share scheme benefits

Add employee share scheme benefits to your **Employment information - IR348** under the field provided.

Sign and date the IR348.



IR3480420



# Employment Information

For help, refer to IR337 Completing Employment Information forms

Employer IRD number **1 2 3 5 3 3 4 1 0**

Month ending **2 3 0 4 2 0 2 3**

Pay date **2A 1 5 0 4 2 0 2 3**

Employer name **A&B Limited**

### Employee name and IRD number

Surname **Blagys** First name(s) **Joe**

IRD number **0 1 2 2 2 2 2 2 2 2**

Employment date start **0 1 0 4 2 3** Employment date finish **0 7 0 4 2 3**

Tax code **MSL**

Pay frequency **Wk**

Pay period date start **0 1 0 4 2 3** Pay period date finish **0 7 0 4 2 3**

Child support code

Earnings and/or scheduled payments not liable for ACC earners' levy \$ **00**

Gross earnings and/or scheduled payments \$ **1 5 0 0 0 0**

Student loan deductions \$ **1 2 7 . 3 2 \$**

Child support deductions \$ **1 0 0 0 0 \$**

Lump sum payment made and taxed at lowest rate \$ **0 0**

Net KiwiSaver employer contributions \$ **6 0 0 0 \$**

Prior period PAYE adjustment \$ **0 0 0 0 \$**

ESCT deductions \$ **3 1 5 0 \$**

Prior period gross adjustments \$ **0 0 0 0 \$**

Net income \$ **0 0 0 0 \$**

### Employee name and IRD number

Surname **Davies** First name(s) **Ross**

IRD number **0 1 2 7 2 3 1 4 2**

Employment date start **0 7 0 4 2 3** Employment date finish **0 7 0 4 2 3**

Tax code **WT**

Pay frequency **Wk**

Pay period date start **0 7 0 4 2 3** Pay period date finish **0 7 0 4 2 3**

Child support code

Earnings and/or scheduled payments not liable for ACC earners' levy \$ **2 0 0 0 0**

Gross earnings and/or scheduled payments \$ **2 0 0 0 0**

Student loan deductions \$ **0 0 0 0 \$**

Child support deductions \$ **3 0 0 0 \$**

Lump sum payment made and taxed at lowest rate \$ **0 0**

Net KiwiSaver employer contributions \$ **0 0 0 0 \$**

Prior period PAYE adjustment \$ **0 0 0 0 \$**

ESCT deductions \$ **0 0 0 0 \$**

Prior period gross adjustments \$ **0 0 0 0 \$**

Net income \$ **0 0 0 0 \$**

### Declaration

I declare that the information given in this return is true and correct.

Signature

Date **15 / 4 / 23**

OFFICE USE ONLY

Correspondence indicator



## Child support codes

It's important you complete the child support code on the IR348, if you cease employing the person or the amount you deduct is different to the amount on the child support deduction notice. We need to know why the payment is different so we can apply the amount correctly to the person's child support account.

Use one of these codes:

### A - Payment in advance

Sometimes you may pay an employee in advance. In this case, deduct the same amount of child support as you would if you were paying the employee on the usual payday. You must include the child support with the deductions for the period when the employee was given the advance pay. Your child support will be more than usual for that period, so enter "A" as the variation code.

### C - Ceased employment

If an employee stops working for you, deduct child support from the last full pay you gave them, and from any holiday pay owed. Enter "C" as the variation code, so we can remove the employee from your records.

### D - Previously deducted

Sometimes the full amount of child support requested from an employee's wages may not be deducted because you made an advance payment. Your child support will be less than usual for that period, so enter "D" as the variation code.

### P - Protected earnings

If you're unable to deduct the full amount of child support requested from an employee's wages due to protected net earnings, enter "P" as the variation code.

### S - Short-term absences

If an employee is off work on unpaid leave for a short period of time and you're unable to deduct any of the child support requested, enter "S" as the variation code.

### O - Other

If none of the other variation codes can be used to explain why the amount of child support deducted does not equal what was expected, enter "O" as the variation code.

If an employee stops working for you, the cease code takes priority, even if another code, for example protected earnings, might also apply.

## For more help

If you have any questions about filling in the child support part of the IR348, call us on 0800 220 222.

## Correcting your IR348 after it's been filed

### Electronic filing amendments

If you file your IR348 electronically you can make changes to your employment information through your Payroll Returns account in myIR or you can call us on 0800 377 772.

If you are paper filing, you can fill in an **Employment information amendments - IR344** form and post it to us.

#### Note

You have 4 years from the date you originally send an **Employment information – IR348** form to make any changes. After 4 years, your assessment becomes final and changes can only be made to child support deductions by completing an **Employment information amendments - IR344** form or you can call us on 0800 377 772.

## Completing the IR344

Enter your business name, IRD number and the pay period you're changing, on the top of the IR344.

To amend an employee's pay details, write the employee's name and IRD number on the form, the figures you originally sent in, and what these should be changed to. We need this information to match your details. You can amend up to three employees' details per form.

#### Example

After checking your wage records, you see you transposed an employee's PAYE amount. Enter the employee's full name, IRD number and PAYE amount on the "original details sent" line. Below, in the "changed to" line, you only need to enter the amended PAYE amount.

If an employee's details were missed off your IR348, complete the "changed to" line only.

#### Note

The IR344 form can only be used for amendments to one pay period's PAYE details. If changes cover more than one pay period, you should use a separate form for each period.

## **Making KiwiSaver adjustments**

All contributions made to a KiwiSaver scheme are passed to the scheme provider. If you make adjustments to your employee's KiwiSaver deductions and/or contributions we'll pass this information to the scheme provider as well.

For more information about making amendments to KiwiSaver please see our **KiwiSaver employer guide - KS4**.

## **Making ESCT (employer superannuation contribution tax) adjustments**

If you need to amend your ESCT because of an under or overpayment, or an employee has opted out or is closing their KiwiSaver account, complete the ESCT column of the IR344 form. Write the figures you originally filed for ESCT and what these need be changed to.



## Electronic filing (myIR)

With myIR you can access a range of online services when and where you want.

You can file your **New Employee and KiwiSaver details - IR346K** and **Employment Information - IR348** forms through the Payroll Returns account which you can find in your myIR account on our website.

To file your forms electronically you have three options:

- onscreen entry in myIR,
- file upload via myIR, or
- direct from payroll software using our gateway services.

If you're using payroll software, file upload in myIR or with Gateway services is probably the best method to use. Payroll software developers have our specifications and can help you buy a suitable package or upgrade any existing software.

If you keep a manual wage book, the onscreen form option may suit you. This is an onscreen version of the paper form you can send us electronically.

You'll need a myIR account before you can file electronically. To register, you'll need:

- a computer that can connect to the internet
- an internet connection and browser
- an email address.

Once you're registered, you'll have a user ID and password to log in to the service.

To register, go to [ird.govt.nz](http://ird.govt.nz)

The myIR "REGISTER" button can be found in the top righthand corner of our homepage.

If the PAYE amount deducted is \$50,000 or more, you must file electronically. We'll write to you telling you what to do when this happens.

## How to pay your deductions

Go to [ird.govt.nz/pay](http://ird.govt.nz/pay) to find out about paying by:

- internet banking
- by credit or debit card
- direct debit.

If you're paying PAYE you need to select the EMP tax type. EMP refers to "employer deductions" and applies to PAYE or any combination of PAYE, child support, student loan, KiwiSaver and ESCT.

## When an employee stops working for you

You can show each employee's finish date on the **Employment Information - IR348**, and you must also provide the employees finish date through the employees list in myIR or via an Employee details file. If you are deducting child support, you must provide the employee's finish date and child support code on the IR348.

If an employee has not been ceased and, for 3 consecutive months:

- has not been included on an employment information (EI) return, or
- has been included and no earnings have been recorded

The relationship will have an automatic cease date applied.

If an employee stops working for you and is rehired then they must complete another **Tax code declaration - IR330**. You'll also need to show the employee's new start date on your IR348.

If an employee is being rehired or has returned to work for you within 30 days of the automatic cease date, process their pay as usual.

If the employee is paid 30 days after the automatic cease date, you may need to confirm the employee's KiwiSaver status.

- If the employee is an active KiwiSaver member, you can process their pay as usual.
- If the employee has previously opted out of KiwiSaver, you should confirm with them that they wish to remain this way and provide us with a new KiwiSaver opt-out request.

## Employee rehired in the same year

If an employee stops working for you and is rehired in the same year ended 31 March, you must get another **Tax code declaration - IR330**. You'll also need to show the employee's new start date on your IR348.

## Employee on transfer

If an employee transfers from one branch of a company to another and is paid by the new branch office on a separate payroll:

- the old branch treats the transfer as if the employee has stopped work
- the new branch must get the employee to fill in another **Tax code declaration - IR330** and will show the employee's start date on their IR348.

If the employee is paid from a central or head office, that office continues deducting PAYE from the employee's earnings. The employee does not need to complete a new IR330.

## If you've ceased or are about to cease providing fringe benefits

If you are no longer providing fringe benefits or closing down your business you need cease your fringe benefit tax (FBT) registration. You can make a request to cease your registration through myIR or on your final return.

If your company is still in business but you want to opt out of FBT, go to [ird.govt.nz/fbt-close-companies](http://ird.govt.nz/fbt-close-companies)

## If you cease employing staff

If you've stopped paying wages permanently, on your final IR348 you must include finish dates for all employees, and if you are paper filing, a note saying you've ceased employing and the date you ceased employing. Once you have done this you can cease your registration in myIR or call 0800 377 772 and let us know, even if your business is still going.

A company has not stopped paying wages permanently until all its wages, including shareholder-employee salaries, have been finally calculated.

Shareholder-employee salaries with no tax deducted are included in the company's IR4 tax return.

## If you've ceased or are about to cease business

You can cease your business registration in myIR, or complete a **Business cessation - IR315** form and send it to us.



## Part 3 - Other payments

Besides normal salaries and wages, you may make other payments to, or on behalf of, your workers. This part covers the most common of these and explains the tax treatment for each.

### Allowances

Allowances can be taxable or tax-free, and are usually paid as a result of:

- an industrial collective agreement, or
- an agreement made between the employer and employees - commonly known as an inhouse agreement.

Taxable allowances are added to an employee's gross earnings and PAYE is deducted from this total. If you do not do this, you could be liable for the PAYE that should have been deducted, as well as penalties. Include the total taxable allowances with your employees' gross wages on your **Employment information - IR348**.

Tax-free allowances should be added to your employees' net wages (wages after PAYE) when you pay them. Show the total amount of tax-free allowances paid in your wagebook.

You do not need to apply for our approval to pay tax-free allowances to your employees. Use our guidelines to decide if the allowance you want to pay will be tax-free or not. The five types of allowances commonly paid are:

- accommodation allowances
- meal and clothing allowances
- benefit allowances
- reimbursing allowances
- travelling allowances.

We can also issue binding rulings on which allowances may be paid tax free.

### Accommodation allowances

Generally, when an employer provides accommodation or pays an accommodation allowance to an employee it is a benefit allowance for the employee, and is taxable.

"Accommodation" includes board or lodging provided by or paid for by an employer, as well as the use of a house or living premises, whether permanent or temporary.

However, certain accommodation or accommodation payments may be tax exempt, if provided:

- in specific locations, for out-of-town secondments or capital projects
- when an employee is required to work in multiple locations on an ongoing basis
- when required to stay overnight to attend a meeting, training course or conference.

An employer might choose to provide accommodation or an accommodation allowance when an employee needs to continuously work at a distant work location that is not within reasonable daily travelling distance of their home.

This accommodation may be exempt from tax, provided one of the following conditions are met:

- There is a reasonable expectation that the employee's secondment will be for a period of no more than two years, in which case the maximum exemption is two years.
- The employee is sent to work on a capital project at a distant work location for no more than three years, in which case the maximum exemption period is three years.

#### Note

A capital project is a project of limited duration whose principal purpose is the creation, enhancement or demolition of a capital asset, which involves work for a client not related to the employer.

However, if the accommodation or accommodation allowance is being provided under a salary trade-off arrangement, it will not be tax exempt under these rules, and will be treated as a taxable benefit allowance.

*Example*

Adam is an accountant in Auckland. His employer sends him to New Plymouth for three months to audit a client before returning to the Auckland office. Adam's employer reimburses his hotel costs in New Plymouth.

Because Adam's employer expects him to work in New Plymouth for less than two years, the payment Adam receives as reimbursement for his accommodation costs in New Plymouth is exempt income.

*Example*

Bill lives in Wellington. His job is moved permanently to Auckland but he chooses not to move his family and commutes on a weekly basis. Bill's employer pays him an allowance towards his Auckland accommodation costs.

Bill and his employer expect him to work at the Auckland workplace for more than two years. The accommodation allowance is not tax exempt under the two-year rule.

The exemption will end when any of the following occur:

- The employer pays the employee's costs associated with buying a house in or near the distant work location, as a reimbursing relocation expense.
- There's a change in the expectation that the employee will be at the distant work location for longer than the maximum period of two years or three years, as applicable.
- The employee's involvement in the secondment or project comes to an end before the maximum time is up.

When an employer expects the secondment or role on the project will last a certain length and that expectation changes, they'll need to keep accurate and clear records including when the secondment began and when the expectation changed. Evidence of the original expectation and any subsequent change may take the form of:

- a modification in the employee's terms of employment
- board minutes
- planning documents
- correspondence with the third party the employer is carrying out the capital project for.

There are some circumstances in which an employee has to work at more than one workplace on an ongoing basis. These may be because of the nature of their duties or because the additional workplaces are beyond reasonable daily travelling distance from their home. This could be the case, for example, for senior managers of large organisations.

In these circumstances there is an exemption for employer-provided accommodation and accommodation payments, without an upper time limit, given that there will be genuine ongoing additional costs in such cases.

*Example*

Andrew manages two offices, one in Dunedin where he lives and one in Christchurch. He works in Dunedin for three days a week and in Christchurch for two. When he works in Christchurch, it's unreasonable for him to travel back to Dunedin every day.

The Christchurch accommodation is exempt under the multiple workplace rule. The Dunedin accommodation is not tax exempt.

There is no time limit on tax-exempt accommodation or accommodation payments for an employee who attends a work-related meeting, conference or training course that requires an overnight (or longer) stay.

The exemption also applies to locally-held courses that may require employees to stay overnight for reasons like networking and team-building.

When an employer provides a taxable accommodation allowance or accommodation, it becomes a benefit allowance. To tax it as a benefit allowance, employers must first determine its taxable value.

If an employer pays for accommodation on behalf of an employee, or pays an accommodation allowance to an employee, the taxable value is the amount paid:

- less any rent or other contributions from the employee
- after any adjustments for business/work use of the premises.

When an employer provides an employee with accommodation, the taxable value is the market rental value of the accommodation:

- less any rent paid by the employee
- after any adjustments for business/work use of the premises
- after any adjustments for when employees share accommodation.

Specific rules determine the taxable value of accommodation for:

- employees working overseas
- ministers of religion
- New Zealand defence force personnel.

For more information on the tax treatment of accommodation allowances and how to determine the taxable value for accommodation go to [ird.govt.nz/allowances](http://ird.govt.nz/allowances)

### Meal and clothing allowances

Employers will often pay for an employee's meals linked to work-related duties, because these meals may be more expensive for the employee than normal meal costs at home.

There are two specific exemptions for meals and meal allowances paid to employees:

- An exemption of up to three months applies to meals if the employee is required to work away from their normal workplace because they are travelling on business. This may be for a specific short-term, work-related journey or for a longer period such as a secondment to a distant work location.
- Payments to cover working meals and light refreshments when working off the employer's premises are exempt without any time limit.

The full amount of any meal payment will be exempt in both situations. The exemption includes meal allowances, reimbursement of meal expenses and the employer paying for the employee's meal.

However, a meal allowance provided under a salary trade-off arrangement is not tax exempt and treated as a taxable benefit allowance.

There are two types of clothing payments that will be exempt from tax. They are payments:

- provided to cover the cost of distinctive work clothing such as uniforms, and
- to meet the costs of plain clothes allowances paid to members of a uniformed service, provided certain conditions are met.

"Distinctive work clothing" is defined as meaning a single item of clothing, that:

- is worn by an employee as, or as part of, a uniform that can be identified with the employer:
  - through the permanent and prominent display of a name, logo or other identification that the employer regularly uses in carrying on their activity or undertaking, or
  - because of the colour scheme, pattern or style is readily associated with the employer
- is worn in the course of, or as an incident of, employment, and
- is not clothing that employees would normally wear for private purposes.

This would include uniforms worn by nursing staff, members of the armed forces and police officers. Specialist clothing might include overalls and protective clothing worn for health and safety reasons.

#### Note

Uniformed service workers, such as police officers that meet specific conditions, may be entitled to an exemption for plain clothes allowances that were in place on 1 July 2013.

### Benefit allowances

Benefit allowances are payments made in addition to salary or wages, which benefit the employee. A taxable benefit allowance is included with the employee's wages and taxed in the pay period it's paid in.

Food or accommodation provided to employees may also be a benefit allowance. The taxable value of the benefit is the difference between the market value of the benefit provided, and any amount the employee pays.

Add the taxable value of the benefit to the employee's wages each pay period and deduct PAYE from the total.

**Example**

Market value of accommodation	\$ 250 a week
Less rent paid	<u>\$ 100 a week</u>
Value to be added to wages and taxed	\$ 150 a week

If the employee paid no rent, the value to be taxed would be \$250 per week.

**Note**

These rules do not affect the existing exemptions that apply to overtime meal payments, sustenance allowances and when an employer provides distinctive work clothing to an employee. The rules also do not apply in the case where FBT (fringe benefit tax) is payable on meals directly provided by the employer such as a discount in the work canteen. The rules that limit employers' deductions of entertainment expenses also continue to apply.

**Reimbursing allowances**

Reimbursing allowances are payments made to employees to compensate them for expenses they've incurred while doing their job, eg, mileage allowances, clothing allowances, tool money, meal allowances or overtime meal allowances.

Reimbursing allowances are not taxable. However, if the payment is more than the employment related expenses, the excess is taxable.

Work-related relocation payments made to your employees are tax-free, provided they meet all of the following conditions:

- Your employee's relocation is required as the result of:
  - taking up new employment with a new employer, or
  - taking up new duties for you at a new location, or
  - continuing in their current position but at a new location.
- Your employee's existing home is not within reasonable travelling distance of their new workplace (unless accommodation is provided as part of the job).
- The expense is on the list of eligible relocation expenses, go to [ird.govt.nz/allowances](http://ird.govt.nz/allowances)
- The payment reflects actual expenditure incurred.

- The expenditure is incurred before the end of the tax year following the tax year in which the employee relocates.

Reimbursements for assets costing less than \$500 are exempted.

**Travelling allowances**

A cash allowance paid to an employee for travel between home and work is tax-free if:

- the amount paid reimburses an employee's additional transport costs, and
- there are one or more special circumstances.

Special circumstances are where the employee:

- is working outside the normal hours of work (eg, in overtime, shift or weekend work)
- needs to carry work-related tools and equipment (eg, usually they take the bus but must use other transport to shift work-related gear)
- is travelling to fulfil a statutory obligation
- has a temporary change in workplace
- has some other condition of their job, or
- has no adequate public transport system that serves the workplace.

For all the special circumstances given, except the lack of adequate public transport, the tax-free amount is the actual cost of travelling between home and work, less the employee's usual travel costs.

**Example**

You change the roster, requiring some of your employees to work the night shift.

If your employee's usual travel from home to work is by:

- bus during the day and bus to do the new night shift, or
- private car during the day and private car to do the new night shift

there are no additional transport costs.

Any travelling allowance paid is taxable.

But, if your employee's usual travel from home to work is by bus, costing \$6 during the day, and they have to travel 22 km by private car to do the new night shift because there is no late bus, part of the travel is tax-free.

Actual cost: 22 km @ 95 cents for each km*	\$20.90
Less usual travel costs	\$ 6.00
Additional transport costs (tax-free amount)	\$14.90

So:

- if the travelling allowance paid is \$20.90, \$14.90 is tax-free and \$6.00 is taxable
- if the travelling allowance paid is \$13.00, \$12.04 is tax-free and 96 cents is taxable.

\* From the 2022-23 income year, the Inland Revenue kilometre rate is 95 cents per km for the business portion of the first 14,000 km. For further kilometres travelled different rates apply, depending on vehicle type. For more information, go to [ird.govt.nz/vehicle-expenses](http://ird.govt.nz/vehicle-expenses)

Add the taxable amount to your employee's gross income and work out PAYE on the total.

If you pay a travelling allowance because there's a lack of adequate public transport, only the first \$5 of the daily travelling allowance is taxable. Any additional amount is tax-free.

For a combination of any of the special circumstances set out above and there's no adequate public transport, you will need to choose which calculation method to use.

**Example - no public transport**

There's no public transport so an employee travels 22 km by private car between their home and work, for their employer's benefit.

Actual cost: 22 km @ 95 cents for each km*	\$20.90
Less \$5.00 per day	\$ 5.00
Additional transport costs (tax-free amount)	\$15.90

\$15.90 is payable tax-free.

**Example - no usual transport costs**

A paramedic works during the day at a medical centre. They're called out at night to a car accident, travelling 57 km return in their private car.

Actual cost: 57 km @ 95 cents for each km*	\$54.15
Less usual travel costs (nil cost, because this is additional to the usual travel from home to work)	\$ 0.00
Additional transport costs (tax-free amount)	\$54.15

You may make a reasonable estimate of the likely costs for an employee or a group of employees and use an average. You do not have to calculate the costs for each employee in each pay period.

If your employee travels more than 70 km a day you must let us know why this travel is necessary for the purposes of the additional transport cost calculation.

If a group of employees has a travelling arrangement, such as sharing one employee's car, you must calculate the non-taxable amount. This amount will be based on either the average expenses of each individual or the average expenses of that group of employees.



## GST on allowances

You can claim a business expense for reimbursing your employee's actual expenses if:

- you're registered for GST
- they incur the expenditure in the course of your business.

Keep taxable supply information for your employees purchases and expenses, such as invoices, receipts, or other documents to claim GST.

You cannot claim GST if the allowance is a general one that does not reimburse the employee's actual expenses incurred on your behalf, or if it's paid to meet the employee's private expenses.

## Lump sums (extra pays)

Lump sum payments include annual or special bonuses, retiring or redundancy payments, payments for accepting restrictive covenants, exit inducement payments, gratuities, back pay and holiday pay paid in addition to the regular pay for the pay period. These are also called "extra pays".

Overtime or any regular payments are not lump sum payments.

### Note

You can choose how you calculate tax on holiday pay that is paid as a lump sum to an employee before they take their leave. You can choose to calculate tax on this payment:

- as an extra pay, or
- as if you're paying the lump sum to the employee in their regular pay cycle.

Refer to page 43 for more details on this calculation.

There are four tax rates for lump sums, which are shown in the current PAYE deduction tables. Earners' levy is added to these rates, except for:

- retiring or redundancy payments,
- employee share scheme benefits, or
- where the combined earnings of the employee, including the lump sum, exceeds or is likely to exceed the earners' levy maximum.

If your employee's annual salary or wages plus the lump sum will be more than \$14,000, you must deduct tax at one of the higher rates. This means your employee will be less likely to have a large tax bill at the end of the year from an under-taxed lump sum payment.

Your employees can also elect to have any lump sums taxed at a higher rate. They may choose to do this if, they have another job or other untaxed income, such as rent. They will tell you if they want to use a higher rate.

The PAYE deducted is paid with the other PAYE for the period the lump sum was paid in.

If the lump sum is taxed using the lowest rate, tick the box on the IR348 to show this.

If an employee is on the non-notified rate (ND tax code) or they are a non-resident seasonal worker on the NSW tax code (see page 54), any lump sum extra pays will have PAYE calculated based on the flat rate that applies to each tax code - 10.5% for the NSW code (plus ACC earners levy, if applicable), 45.0% for the ND tax code (plus ACC earners levy, if applicable).

## Lump sum payments from primary employment

The calculation for the amount of tax on an extra pay for employees using a primary tax code (M, ME, M SL or ME SL) is:

1. the amount of the extra pay
2. plus annualised income\*
3. equals the annual income estimate.

The whole lump sum is then taxed at a flat rate based on the appropriate income range from table 1.

\* Calculate annualised income by adding up the PAYE income payments for the four weeks ending on the date of the extra payment, whether this is the normal pay cycle or not, and multiplying by 13. Do not include the amount of the extra pay in this total.

### Note

Do not include any other amounts of extra pay that may have been made in the pay period.

**Table 1: Income range and tax rates**

Annual income estimate	Tax rate	ACC rate
\$0 - \$14,000	10.5%	1.53%
\$14,001 - \$48,000	17.5%	1.53%
\$48,001 - \$70,000	30%	1.53%
\$70,000 - \$139,384	33%	1.53%*
\$139,385 - \$180,000	33%	0%
\$180,000 upwards	39%	0%

\* The ACC earners' levy is only added to the tax rate up to the maximum threshold of \$139,384 (from 1 April 2023). Amounts above this level only have 33% and 39% deducted.

**Note**

- ACC earners' levy and residual earners' levy do not apply to retiring or redundancy payments. These should have PAYE applied at 10.5%, 17.5%, 30%, 33% or 39% according to annualised income.
- If the lump sum has tax applied using the lowest rate (10.5%), tick the box on the IR348 to show this.

**Example**

You're going to pay one of your employees a bonus payment of \$400. The employee's gross earnings for the last four weeks was \$2,500. The calculation will look like this:

Annualised income (13 × \$2,500)	\$ 32,500
Add the bonus payment	\$ 400
<b>Total</b>	<b>\$ 32,900</b>

In this example, the income level is less than \$48,000, so the PAYE rate (tax rate plus earners' levy) applied to the bonus payment is 19.03% (19.03 cents in the dollar).

$$\begin{array}{rcl}
 \$400 & \times & 19.03\% \\
 \text{(bonus)} & \times & \text{(tax + earners' levy)} \\
 & = & \$76.12 \\
 & & \text{(PAYE)}
 \end{array}$$

If the employee uses a student loan tax code (M SL or ME SL) you'll also have to deduct student loan repayments. See pages 12 to 13 for details on calculating student loan repayment deductions.

In addition, if the employee is a KiwiSaver member, you'll need to deduct contributions from lump sum payments.

**Lump sum payments from secondary employment**

The calculation for working out the amount of PAYE to apply to a lump sum takes into account the minimum level of income the employee expects to receive from their primary employment, and the secondary tax code they have selected.

The calculation for the amount of PAYE on an extra pay for employees using a secondary tax code is:

1. the amount of the extra pay
2. plus annualised income\*
3. plus the low threshold amount, (based on the secondary tax code in table 2)
4. equals the annual income estimate.

\* Calculate annualised income by adding up the PAYE income payments for the four weeks ending on the date of the extra payment, whether this is the normal pay cycle or not, and multiplying by 13. Do not include the amount of the extra pay in this total.

**Note**

Do not include any other amounts of extra pay that may have been made in the pay period.

The whole lump sum is then taxed at a flat rate (including student loan if needed) based on the appropriate income range from table 3.

**Table 2: Low threshold amounts**

Tax code	Low threshold amount
SB	\$0
S or S SL	\$14,001
SH or SH SL	\$48,001
ST or ST SL	\$70,001
SA or SA SL	\$180,001

**Table 3: Income range and PAYE rates**

Annual income estimate	PAYE rate (including 1.53% ACC earners' levy)	Student loan
\$0 - \$14,000	12.03%	+ 12%
\$14,001 - \$48,000	19.03%	+ 12%
\$48,001 - \$70,000	31.53%	+ 12%
\$70,001 - \$139,384	34.53%	+ 12%
\$139,385 - \$180,000	33%	+ 12%
\$180,001 upwards	39%	+ 12%



If the annual income estimate is less than \$139,384, the amount of PAYE on the full extra pay should be calculated using the rate from table 3.

If the annualised income plus the low threshold amount is greater than \$139,384, none of the extra pay is liable for the earners' levy and the PAYE rate is 33% up to \$180,000 and 39% from \$180,001 and over.

If the annualised income plus the low threshold amount is lower than \$139,384, but the total exceeds \$139,384 when the extra pay is added, the PAYE on the portion below the threshold is calculated at the rate from table 3. The portion of extra pay above the threshold is taxed at 33% or 39%, as the earners' levy does not apply.

#### Example

Jane has a second job and uses the ST tax code. Jane's secondary employer wants to pay her a one-off bonus of \$35,000. In the last four weeks Jane has earned \$2,995 from her second job.

The annualised income (\$2,995 × 13)	\$38,935
Plus the low threshold amount (based on ST, Jane's secondary code from table 2)	\$ 70,001
	<u>\$ 108,936</u>
Plus the extra pay	\$ 30,000
Annual income amount	\$ 143,936

The annualised income plus the low threshold amount is lower than \$139,384. But when the extra pay is added the total exceeds \$139,384, so the earners' levy should only be applied to earnings below the threshold.

In the calculation below, tax and earners' levy have been calculated on the full extra pay, and the extra earners' levy has been deducted.

#### Example

$\$30,000 \times 34.53\% = \$10,359$   
Annual income estimate, less earners' levy  
threshold, equals extra pay not liable for earners'  
levy.  
 $\$141,776 - \$139,384 = \$2,392$   
 $\$2,392 \times 1.53\% = \$36.59$   
 $\$10,359 - \$36.59 = \$10,322.41$   
Amount of PAYE applied to the extra pay  
equals \$10,322.41.

## Paying a net bonus

If you want to pay an employee a net bonus, you must calculate the gross amount to include in your wage records. The PAYE and any student loan repayment calculated on the bonus must be paid with other deductions for that pay period. The method for working out the gross bonus depends on the employee's tax code.

#### Example - non-student loan

The employee is to be paid a net bonus of \$60. Here is how the gross bonus is worked out:

1. Deduct the lump sum PAYE rate from \$1  
(1 - 19.03 cents is 0.8097 cents)
2. Divide the net payment by 0.8097 cents  
(\$60 ÷ 0.8097) \$ 74.10
3. The gross bonus is \$ 74.10

To calculate the PAYE, multiply the gross bonus by the lump sum rate:

Gross bonus	\$ 74.10
Less PAYE deducted (at 19.03 cents)	\$ 14.10
Net bonus	<u>\$ 60.00</u>

#### Example - with a student loan

The employee's net bonus is \$60.

1. Add the student loan rate (12 cents  
in the dollar) to the lump sum rate  
(19.03 cents in the dollar) 31.03%
2. Deduct this combined rate from \$1  
(1 - 0.3103 cents) 0.6897 cents
3. Divide the net payment by  
0.6897 cents (\$60 ÷ 0.6897) \$ 86.99
4. The gross bonus is \$ 86.99

To calculate the tax deducted, multiply the gross bonus by the lump sum and student loan repayment rates:

Gross bonus	\$ 86.99
Less PAYE deducted (at 19.03 cents)	\$ 16.55
Student loan repayments (at 12 cents in every dollar)	<u>\$ 10.44</u>
Net bonus	<u>\$ 60.00</u>



## Restrictive covenant and exit inducement payments

These payments are taxable as follows:

### Restrictive covenant payments

These are payments made in return for a person agreeing to restrict their ability to perform services. This includes payments made to an employee when their employment is terminated and they agree not to carry on business in competition with their former employer. It also includes payments made when an employee enters into a restrictive covenant with a wholly owned company and then sells the shares in that company to their employer. These types of payments are classed as source deduction payments, so PAYE must be deducted.

### Exit inducement payments

Exit inducement payments are made by a prospective employer or contractor to a person to give up a status or position. These include payments to employees whose job status changes, even if they do not have a career change. These types of payments are also defined as source deduction payments, so PAYE must be deducted.

Both restrictive covenant and exit inducement payments are taxed at the lump sum rate. See the PAYE deduction tables for the current lump sum rates.

## Retiring and redundancy payments

### Retiring allowances

A retiring allowance is a payment made to an employee on retirement. The employment must have been fully terminated because of:

- the employee's decision
- the terms of any union contract
- the length of service of the employee, or
- the employer's policy.

It's not based on the age of the employee.

Retiring allowances are taxable in full but not liable for earners' levy. See pages 39 to 42 for information on how to calculate the correct tax.

#### Example

Retiring payment	\$ 10,200.50
PAYE (on whole dollars) at 30 cents in the dollar is*	\$ 3,060.00

\* This example assumes that the employee's gross annual income is between \$48,001 and \$70,000.

### Redundancy payments

A redundancy payment is different from a retiring allowance. The decision to terminate employment is the employer's. Redundancy payments may be made:

- to an employee whose position is no longer needed, or
- to a seasonal worker whose usual seasonal position is no longer needed (the employee works for you at a regular time each year for a continuous period of less than 12 months).

The following are not redundancy payments, and are liable for earners' levy:

- any payment made to an employee solely because of a seasonal lay-off
- any payment made at the end of a fixed-term contract or a contract for a predetermined amount of work
- any payment made instead of giving an employee notice
- any payment of deferred wages made to an employee when finishing work (such as holiday pay, accrued bonuses and commissions)
- any payment by a company under its articles of association to any of its directors.

A severance payment may be a redundancy payment for tax purposes. A lump sum severance payment made to a permanent employee when a specific job or project is finished is a redundancy payment if the position of the employee has been fully terminated, and the position is no longer required by the employer.

If the employee stays with the same employer on another job or project, any payment is liable for earners' levy.

If the employee uses an M SL, ME SL, SB SL, S SL, SH SL, ST SL or SA SL code, you'll also have to deduct student loan repayments from retiring and redundancy payments.

### Termination of employment

To treat any payment as a retiring allowance or redundancy payment, the person's employment must have been terminated. If employment is not terminated, the payment is liable for earners' levy.

Employment is not terminated if the employee:

- is still employed by a company that is at least 50% owned by the same shareholders, or under the control of the same persons
- is still employed by the same employer, even if the employer's business has changed
- is still with the same business, even if the ownership of the business has changed
- has remained in substantially the same employment. This means if the employee continues to work under a contract of employment with substantially the same employer.

The following two types of payment are not retiring allowances or redundancy payments, and are liable for earners' levy.

- Payments for accumulated annual leave, long-service leave and sick leave. These are payments that do not relate to retirement or redundancy.
- Payments made because of a merger, takeover, amalgamation or reconstruction between two parties if:
  - the employee is rehired by any party to the transaction within six months of termination of employment, and
  - the employee's new job is substantially the same kind of employment they had before.

"Substantially the same kind of employment" means doing the same type of work. This is based on such things as similarity of duties, similar conditions of employment and a similar job description.

For example, if you rehire an employee to do most of the old duties but with slightly different salary and leave arrangements, the employment is substantially the same kind. However, if you rehire the employee in a different area that needs new skills, it's not substantially the same.

### Completing the IR348

Because retirement or redundancy payments are not liable for earners' levy, the IR348 should be completed like this:

- The "Gross earnings and/or schedular payments" box should include all taxable earnings including the retirement or redundancy payment.
- The "Earnings and/or schedular payments not liable for ACC earners' levy" box should show the retirement or redundancy payment.

Add a separate entry to your **Employment information - IR348** for the ESS benefit showing the employee's name, IRD number, the "ESS" payment code, the taxable value of the ESS benefit (include as earnings not liable for ACC earners' levy as well), and the total tax, student loan, and child support deductions from the benefit (if any). Do not enter any start or finish dates, or KiwiSaver, employee or employer contributions.

### Employee Share Scheme (ESS) benefits

You can choose to tax ESS benefits as an "extra pay". Deducting tax is optional because it will not suit all schemes. If you do deduct PAYE, then student loan and child support amounts must also be deducted (if applicable). Employee share scheme benefits are not liable for the ACC earners' levy or KiwiSaver deductions.

You can choose whether or not to deduct tax on benefits an employee receives under an ESS.

Whether you choose to deduct taxes or not, you're still required to list the taxable value of the benefit on your **Employment information - IR348** unless it arises from an exempt employee share scheme.

You'll need to list the value of the ESS benefit separately in your IER348 from any other earnings your employee receives. You'll need to add a new entry for your employee that includes:

- their name
- their IRD number
- the payment code "ESS"
- the taxable value of the ESS benefit. Also include this as "Earnings not liable for ACC earners' levy"
- the total tax, plus student loan and child support, deducted from the benefit (if any).

You must report the taxable value of an ESS benefit to us based on the 20th day after the share scheme taxing date. There are two options you can use to determine when the taxable value of an ESS benefit needs to be reported.

### Option 1

If the 20th day falls between the 1st and 15th of a month the information must be reported treating the 15th as the payday.

If the 20th day falls between the 16th and the end of a month the information must be reported treating the last day of the month as the payday.

### Option 2

The employer can treat the 20th day as the payday and report the value of the ESS benefit to us more regularly.

#### Example

Sam's employer provides him with an ESS benefit on 14 December 2021.

The 20th day after Sam receives the benefit falls between the 1st and 15th of January 2022.

Under Option 1, Sam's employer can report the taxable value of the ESS benefit within 2 working days of 15 January 2022.

Under Option 2, Sam's employer can choose to report the value of the ESS benefit as part of employment information which is due 2 working days from the 5th of January 2022.

For more information about employee share scheme benefits go to [ird.govt.nz/employee-share-schemes](http://ird.govt.nz/employee-share-schemes)

## Regular bonuses

### Regular incentive or production bonuses

Add these bonuses to wages for the pay periods in which they were earned. Use the PAYE tables to work out the amount of PAYE to deduct. Remember, if the employee uses an M SL, ME SL, SB SL, S SL, SH SL, ST SL or SA SL code you must also deduct student loan repayments from the bonus. Use the student loan columns in the PAYE tables. The following notes refer only to PAYE, but the same method applies for employees with student loans.

### Bonuses for one pay period

For bonuses relating to one pay period, add the bonus to other wages for the pay period the bonus was earned in. Deduct the PAYE from the total earnings.

#### Example

Ordinary wages for pay period	\$ 270
Bonus for same pay period	\$ 54
Total earnings	\$ 324

### Monthly bonuses - more than one pay

If you pay a monthly bonus relating to more than one pay period:

1. Add up the gross wages paid in the month.
2. Add on the bonus and work out the PAYE (using the monthly tables) on the total.
3. Work out the PAYE on the gross wages (excluding the bonus) for the month, and subtract this from the PAYE on the total calculated at step 2 above. This gives you the PAYE on the bonus.

#### Example

Margaret is paid weekly. She is also given a monthly production bonus.

1. Add together the gross wages paid in that month:		
	\$222 + \$240 + \$274 + \$264	\$ 1,000.00
2. Add bonus		\$ 300.00
Total		\$ 1,300.00
3. Using monthly tables, calculate the PAYE on \$1,300		\$ 165.70
4. Deduct PAYE on \$1,000 (M code)		\$ 120.29
The PAYE to be deducted from the bonus is		\$ 51.72

Use the same method if a bonus is paid fortnightly or four-weekly. Use the fortnightly or four-weekly PAYE deduction tables to work out how much PAYE to deduct.

Add the PAYE on the bonus to the PAYE on the wages for the period in which the bonus was actually paid.

### Bonuses covering more than one month

For a bonus that covers more than one month:

1. Divide the bonus by the number of months it covers. This gives you the monthly bonus amount.
2. Add the monthly bonus to the normal pay for the month, and use the monthly PAYE tables to calculate the PAYE.

3. Calculate the PAYE on the normal monthly pay and subtract this amount from the PAYE calculated at step 2. This gives you the PAYE on the monthly bonus.
4. Multiply this by the number of months the bonus covers to get the total PAYE to be deducted from the bonus.

#### Example

Patrick gets a monthly salary of \$1,120. He's paid a three-monthly incentive bonus of \$720.

1. Monthly bonus is $\frac{1}{3}$ of \$720	\$ 240.00
2. Add normal monthly pay	\$ 1,120.00
Total	\$ 1,360.00
Using monthly tables, the PAYE on \$1,360 is	
	\$ 177.10
3. Deduct PAYE on \$1,120 using the monthly PAYE tables	\$ 134.72
The difference is the PAYE payable on the bonus for one month	
	\$ 42.38
4. Multiply the one month's PAYE by three to get the PAYE on the bonus for three months ( $3 \times \$42.38$ )	\$ 127.14
Deduct this amount from \$720.	

Include the PAYE on the bonus with the PAYE on the wages for the period in which the bonus was actually paid.

### Bonuses for a broken period

If a bonus covers a broken period, such as when an employee leaves, treat the bonus as being for the whole of the pay period. Add the bonus to wages in that pay period.

### Holiday pay

Include holiday pay and pay for statutory holidays as earnings in the period you actually pay them.

Holiday pay has PAYE calculated either as standard salary or wages, or as an extra pay.

To calculate tax on your employee's holiday pay, first confirm whether it should be calculated as an extra pay or not.

If the holiday pay is included in the employee's regular pay at 8% of the employee's gross pay, or linked to the work days within the pay period such as being paid for a public holiday or annual leave, then it is treated as salary or wages for the pay period.

Holiday pay that is paid in addition to the regular pay for the pay period is treated as extra pay. These are payments that would not normally be paid in that pay period, such as annual leave payments paid in a lump sum before the leave is taken, or when accumulated leave is paid out at the end of employment.

If you pay your employee annual leave in a lump sum before the leave is taken, you can choose to calculate tax on this as a lump sum either as an extra pay or as if the lump sum were paid to the employee in their regular pay cycle over the pay periods that their holiday covers (the alternative approach). This calculation also applies to payments of salary/wages in advance.

Calculate PAYE using the alternative approach by:

- apportioning the lump sum payment across the pay periods that the payment relates to,
- calculating PAYE on each of these apportioned amounts as if they were the only payments made to the employee in each pay period,
- adding these PAYE amounts together and deducting this amount from the lump sum payment.

A more complex PAYE calculation is needed when the whole pay period is not taken as annual leave and the annual leave was taxed using the alternative approach. This can happen when an employee takes leave for part of a pay period and works as normal for the remainder.

Calculate PAYE in this instance by:

- adding together the amount of the holiday pay and the regular salary/wages for the pay period,
- calculating the amount of PAYE that is required to be withheld from the combined amount as if it were a single payment, this is the total PAYE payable for the pay period,
- subtracting the PAYE that was deducted from the amount of the holiday pay apportioned to that pay period from the amount of PAYE calculated in the previous step. You are left with the amount of PAYE to be deducted from the payment of salary/wages.

**Example**

Your employee is taking three weeks annual leave and has requested that you pay their holiday pay in a lump sum before they take their leave, and you decide to tax this using the alternative approach. Their pay cycle is fortnightly and they're using the M tax code. Their regular fortnightly pay is \$1,492.00. Three weeks holiday pay will be \$2,238.00. To calculate PAYE on this using the alternative approach, first:

- apportion the \$2,238.00 holiday pay across the pay periods that the leave covers. As this covers three weeks and two fortnightly pay periods, this will be \$1,492.00 apportioned to the first fortnight and \$746.00 apportioned to the second.
- Calculate the PAYE on these amounts. PAYE on the first fortnight's holiday pay of \$1,492.00 is \$246.22. PAYE on the second fortnight's pay of \$746.00 is \$104.24.
- Add the two PAYE amounts together (\$246.22 + \$104.24), this gives the PAYE to withhold from the payment of the holiday pay.
- Total net holiday pay: \$1,889.08. Total PAYE to withhold: \$350.46.

The last week of annual leave covers the first week of a fortnightly pay period. The second week of the pay period is worked as usual by the employee. The PAYE on the portion of salary/wages paid to the employee would be calculated as follows:

- calculate PAYE on the total amount paid to the employee, including both the week worked and the weeks holiday: \$246.22 (PAYE on fortnight's pay of \$1,492.00),
- minus the PAYE already deducted for the week that was taken as annual leave and that was included in the lump sum payment: \$246.22 - \$104.24,
- the amount remaining is the PAYE to withhold from the payment for the week worked. So the PAYE to withhold from \$746 is \$141.98.

**Note**

If your employee is a member of KiwiSaver or has a student loan, these will be calculated on the whole lump sum, even if you choose to calculate PAYE using the alternative approach.

Refer to [ird.govt.nz/holiday-pay](http://ird.govt.nz/holiday-pay) for more information on how to categorise holiday pay.

You can use our online PAYE calculator at [ird.govt.nz/tools-calculators](http://ird.govt.nz/tools-calculators) to calculate tax on holiday pay when it is treated as salary or wages. You can also view or print our **PAYE tables - IR340** or **IR341** go to [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

If it is taxed as an extra pay, see page 37.

Before calculating your employees' holiday pay, please check your obligations under the Holidays Act 2003.

**Loss of earnings compensation paid by ACC**

Loss of earnings compensation paid by ACC to your employees is liable for PAYE. ACC will deduct PAYE using the employee's tax code.

Similarly, if an injury occurs at work and you pay an employee for the period up until the time compensation is payable, you must deduct PAYE using the employee's tax code.

If you subsidise an employee who's receiving compensation, deduct PAYE on the extra payment you make using the secondary tax rates.

If you pay the employee salary or wages and ACC then reimburses you, deduct PAYE using the employee's tax code.

**Honoraria**

Sometimes payments are made for a service where the usual custom is that a price is not set. These payments are called honoraria.

Generally honoraria are made to volunteers and are schedular payments, subject to a standard tax, or a rate chosen by the volunteer. The standard rate is listed on the back of the **Tax rate notification for contractors - IR330C**. However, if honoraria are paid to employees, they should be treated as wages and taxed using the PAYE tables.

**Note**

Where both honoraria and reimbursement expenses are paid to a person for volunteer activities, and provided records are kept showing how much of the payment relates to each, the reimbursement expenses will be tax free.

## Payments to school trustees

Part of any honoraria paid to school trustees for attending board meetings is treated as reimbursement of expenditure and not subject to tax as follows:

- for the chairperson, the first \$75 per board meeting (up to a maximum of \$825 a year)
- for any other board member, the first \$55 per board meeting (up to a maximum of \$605 a year).

However, if the chairperson or a board member receives more than the amounts above, the exemption is reduced by the amount of the additional reimbursement.

**Example**

If a board member received \$70, made up of a payment of \$50 and reimbursement for travel expenses of \$20, the first \$55 is reduced by the amount of the reimbursement for travel.

Amount exempt for board members	\$55
Less reimbursement for travel expenses	\$20
Exempt amount	\$35
Payment received	\$50
Less exempt amount	\$35
Balance	\$15

Tax on schedular payments applies to balance amount of \$15.

## Life insurance and personal accident premiums

### Policies payable on maturity or surrender

Examples of these policies are endowment or whole-of-life policies. If you pay the whole premium of the policy and all the proceeds of that policy will go to the employee, the premiums you pay are treated as salary or wages.

Include the gross premium with wages for the period in which the premium was paid to the insurance company.

If the proceeds of the policy are payable to the employer, the premiums are not taxable to the employee. Do not deduct PAYE or record payment information on your IR348.

### Policies payable on accident or death only

There are various accident, temporary or term life insurance policies available on the market, and these can have different tax implications.

See the following table if you pay the premiums for personal sickness, accident or life insurance on behalf of the employees or for your employees who are the beneficiaries of the policy.

If the policy is for..	and it is taken out by the..	the premium is liable for..
life insurance	employer	FBT
	employee	PAYE and is treated as normal salary and wages
personal sickness or accident	employer	FBT
	employee	PAYE and is treated as normal salary and wages
group insurance policy (either life or accident/medical)	employer	FBT

## Prize money paid at sporting events and competitions

If winning prize money forms part of a participant's taxable activity, you must deduct withholding tax from prize money at any sporting event or competition, not just professional events.

The prize money threshold is \$500. For any amount won over this threshold, you must deduct tax of 20%. This applies to each separate participant, for each separate event the participant enters at the competition or sporting event.

**Example 1**

A doubles team in a tennis tournament win their division. First prize is \$900. The prize money is shared equally - \$450 each. Although the total prize money exceeds \$500, the amount per person is under the \$500 threshold so the payer does not have to deduct tax.

**Example 2**

One of the tennis players from the doubles team also wins the singles title in her division. First prize is \$700. The prize money is over the \$500 threshold so tax must be deducted, but only from the portion that exceeds the threshold.

The total amount of tax to be deducted is  $\$200 \times 20 \text{ cents} = \$40$ .

The player has won total prize money of \$1,150. However, the threshold applies to each separate participant for each separate event.

You'll need to get a **Tax rate notification for contractors - IR330C** form from the recipient of the prize money. They'll use a WT tax code. If they do not give you an IR330C or it is not completed, deduct tax at the non-notified rate - see page 7.

Include the gross amount and the tax on your **Employment information - IR348** and show a WT tax code for the prize recipient.

If winning prize money does not form part of a participant's taxable activity (for example if they are competing as an amateur) then no withholding tax is required to be deducted from the prize money.



## Part 4 - Penalties

As an employer you're responsible for making various deductions, such as PAYE, KiwiSaver, ESCT (employers' superannuation contribution tax), student loans and child support, from your employees' gross wages. It's a serious matter if any employer does not properly deduct or pay employees' PAYE or other deductions. You face penalties if you do not meet your responsibilities.

If you believe you'll be unable to file or pay by the due date, contact us as soon as possible. By contacting us before the due date, you may be able to reduce the amount of penalties that will be charged.

The information on pages 47 to 50 applies to all these employer deductions:

- PAYE (including ACC earners' levy)
- child support
- student loan
- KiwiSaver deductions
- KiwiSaver compulsory employer contributions
- ESCT.

### For more help

For more information about penalties, see our guide **Penalties and interest - IR240**.

### Late filing penalty

By law you must file your tax returns on time. If you do not file your **Employment information - IR348** by the due date, you may have to pay a late filing penalty.

The first time you are late with your filing we will give you a warning. If you are late again in the next twelve months we will charge a late filing penalty.

A late filing penalty of \$250 will then be charged for each month an IR348 is not received. We'll send you a statement advising you of the late filing penalty and the due date for paying it.

Late payment penalties and interest are also charged on late filing penalties which are not paid by the due date.

### Interest

These rules apply when you either overpay or underpay the amount due.

If you overpay the amount due, we'll generally pay you interest from the day after the original due date (within certain rules).

If you underpay the amount due, we'll charge interest on the unpaid amount from the day after the original due date.

We will not charge interest on unpaid amounts less than \$100.

We will not charge interest on any overdue KiwiSaver employer contributions.

The interest rates are set by government and are based on market rates, so will vary from time to time. You can check the current rates at [ird.govt.nz](http://ird.govt.nz)

### Late payment penalties

A payment is late if it's posted or delivered to us after the due date. See page 21 for information about due dates. Penalties are not charged on unpaid amounts less than \$100.

We'll charge you interest if you do not make your tax payment by the due date. We'll also charge you a late payment penalty if you miss a payment, but if you have a good payment history with us we may contact you before we do this.

Otherwise, we'll charge an initial 1% late payment penalty on the day after the due date. We'll charge a further 4% penalty if there is still an amount of unpaid tax (including penalties) seven days after the due date.

Every month the amount owing remains unpaid after the due date, a further 1% incremental penalty may be charged.

### Penalty notice

If a payment is late, and the penalty is not paid, we'll send a separate notice showing the penalty charged.



**Note**

If the due date for a payment falls on a Saturday, Sunday or public holiday, you can make your payment on the next working day without penalty.

## Non-electronic filing penalty

If you do not file online when you should, we may charge you a non-electronic filing penalty. The penalty is the greater of:

- \$250, or
- \$1 for each person employed at any time during the month.

For example, if there are 500 employees listed on the employment information/IR348 each month, the penalty will be \$500 each month. The penalty is due 30 days after the end of the month in which the return was due. You'll only be charged one non-electronic filing penalty for a month.

## Shortfall penalties

Shortfall penalties apply to certain offences, including failing to deduct PAYE or failing to pay PAYE to Inland Revenue.

We charge shortfall penalties on top of any normal tax. The shortfall penalty is a percentage of the tax shortfall (deficit or understatement of tax), which results from certain actions by the employer. There are five types of penalties:

- not taking reasonable care 20%
- unacceptable tax position 20%
- gross carelessness 40%
- abusive tax position 100%
- evasion 150%.

The rate of shortfall penalty may be reduced for previous good behaviour.

In addition to these penalties you could be fined and/or imprisoned for up to five years.

### Disputing shortfall penalties

You may dispute a shortfall penalty if you feel it is wrongly imposed. See page 49 for further information about disputes.

## Non-payment of employer deductions penalty

If you file your **Employment information - IR348** but do not pay the amount calculated by the due

date, we'll send you a reminder letter. If you do not pay the overdue amount or enter an instalment arrangement, we'll charge you a non-payment penalty (NPP) as well as the late payment penalties and interest. The non-payment penalty is 10% of the amount outstanding.

Every month you do not pay in full or enter into an instalment arrangement, a further 10% penalty will be added.

If you pay in full or enter into an instalment arrangement within that month, the non-payment penalty will be at a reduced rate of 5% of the unpaid tax. NPPs are not charged on outstanding amounts of less than \$100 or if you make payments under an instalment arrangement. The total amount of NPP will not exceed 150% of the returned amount that is unpaid when the first penalty was imposed.

For more information, see our guide **Penalties and interest - IR240** or go to our website [ird.govt.nz/employers](http://ird.govt.nz/employers)

### Example

Tom's payment for the period ended 30 June is due on 20 July. Tom files his employment information every payday but does not make the payment.

A month later, Tom receives a reminder letter asking him to make full payment or enter into an instalment arrangement within one month to avoid becoming liable to pay non-payment penalties.

If Tom takes no action, after one month he will be liable for a non-payment penalty.

The amount of the penalty is 10%, unless full payment is received, or an instalment arrangement entered into, within the following month, then the penalty is reduced to 5%.

## Failing to make deductions

Employers must deduct PAYE, KiwiSaver deductions, ESCT, student loan repayments or child support when required, from any payments made to employees. Failure to do this is a serious offence and can result in penalties and fines being imposed.

Anyone who knowingly fails to make deductions can be fined up to \$25,000 for a first offence and \$50,000 for subsequent offences. Shortfall penalties may also be charged.

**Note**

If you cannot make the student loan, child support, KiwiSaver and/or PAYE deductions, contact us straightaway. You must still file your IR348 and make your payments by the due dates.

**Failing to pay deductions**

You must pay deductions to us by each due date.

The money deducted does not, at any stage, belong to you. Under no circumstances should the deductions be used for any other purpose than for payment to us. We'll help employers who try to meet their responsibilities but will take legal action against those who do not comply with the tax laws.

Failing to pay deductions to us is a serious offence and can result in prosecution. An employer who is convicted may be:

- fined up to \$50,000 and/or
- sent to prison for up to five years.

The name of anyone convicted will also appear in the *New Zealand Gazette*.

**Note**

The imprisonment penalty does not apply to ESCT offences.

**Evasion**

Anyone convicted of knowingly attempting to evade their responsibilities can be fined up to \$50,000 and/or be imprisoned for up to five years. It's also illegal for an employer to aid or assist another person to commit an offence.

**Additional student loan penalties**

Employers must give us details about their employees who have student loans, such as IRD number, name and amounts deducted. Failing to provide the correct information is an offence and may result in the employer being prosecuted.

If convicted, an employer can be fined up to \$25,000 for the first offence and \$50,000 for subsequent offences. Shortfall penalties may also be charged.

**Additional child support penalties****Employee privacy**

The law requires you to protect your employees' privacy by not giving out any information about their child support responsibilities.

There are only two exceptions when:

1. Inland Revenue Child Support asks you for information.
2. You have to give the information as part of running your business, for example, when you have to show your records to our investigators.

An employer who is convicted of violating this law can be fined up to \$15,000.

**Prejudice**

It's an offence for employers to discriminate against an employee or potential employee because of student loan and/or child support responsibilities.

An employer may not:

- refuse to employ the person, or refuse to pay wages
- dismiss or threaten to dismiss the employee
- stop or threaten to stop paying wages
- show or threaten prejudice against the employee
- intimidate, coerce, penalise, or discipline the employee because of student loan and/or child support responsibilities.

An employer convicted of prejudice may be ordered to pay compensation to the employee and act to remedy or reduce the loss suffered. An employer convicted of prejudice in relation to student loan responsibilities may also be fined up to \$2,000.

**Employee start and finish information penalties**

Employers must provide us with their employees' start and finish dates.

Failing to provide the correct details is a serious offence and can result in the employer being prosecuted and penalised.

## Audit procedures

Every employer can expect to be audited by us from time to time. This will involve checking your PAYE records against the returns filed to make sure they are correctly completed.

Remember, you must keep all financial records of your taxable activity for seven years. We may ask you to keep your records for an additional three years when auditing or investigating you. Failure to keep adequate records is a very serious matter and can result in a fine.

If you want to know more about audit procedures, read our guide **Inland Revenue audits - IR297**.

### Voluntary disclosure

If there's any omission or error in your PAYE affairs, you should tell us about it. We may still charge shortfall penalties but, if you tell us before we notify you of an audit or investigation, we may reduce these by up to 100%.

### For more help

If you'd like to know more about this process, read our guide **Putting your tax returns right - IR280**.

## If you disagree

We make every effort to apply the tax laws fairly and correctly, but sometimes you may disagree with how we've assessed your tax. In most cases we can correct the assessment before you need to make a formal complaint. If we cannot agree, there is a formal process to follow, so your rights are protected in case the matter goes to court.

For more information, read our factsheet **If you disagree with an assessment - IR778**.

## Part 5 - Special types of workers

This part explains what you need to do for the following types of workers:

- casual agricultural workers
- commission agents
- directors
- drovers and musterers
- election-day-workers
- fishers
- foreign fishing workers
- IR 56 taxpayers
- jockeys and trotting drivers
- musicians, dance bands and orchestras
- non-residents
- partners in a partnership
- piece-workers and outworkers
- recognised seasonal workers
- screen production industry workers
- shareholder-employees in close companies
- shearers, shedhands and shearing contractors
- spouses or partner
- subsidised workers
- workers engaged in "activity in the community" projects
- workers under labour-only contracts in the building industry.
- working owners of a look-through company.

For the tax rates, see the current **PAYE tables** - IR340 or IR341.

### Casual agricultural workers

Casual agricultural workers are employees who do casual seasonal agricultural work on a day-to-day basis, for up to three months. Use the tax code CAE on the **Tax code declaration - IR330**. These workers are taxed through the PAYE system at a flat rate listed in the PAYE tables under casual agricultural workers.

#### Note

Agricultural contractors are independent contractors, not employees, and are subject to tax on schedular payments.

### Commission agents

For agents who receive commission only, tax the gross commission as a schedular payment - see page 10.

Some agents get a salary or other fixed remuneration plus commission from the same employer.

If an agent is an employee, add the gross commission to the fixed remuneration for the period it was paid in. Calculate PAYE using the current PAYE tables.

Whether you deduct PAYE using the tax tables or deduct tax from schedular payments depends on whether the agent is an employee or is self-employed. For more information on employment status, see "Who is an employee?" on page 5 of this guide.

### Directors

Fees paid to directors are generally schedular payments. Tax the fees paid using the standard rate shown on the back of the IR330C, or the rate otherwise chosen by the director, provided its not less than the applicable minimum. Some directors who are shareholder-employees of the company may pay provisional tax

### Drovers and musterers

For employees doing occasional droving and mustering work, calculate PAYE using the current PAYE tables.

If they supply their own dogs, horses or saddlery and receive allowances, deduct the amount of allowances paid. Reimbursements for assets costing less than \$500 are exempted.

Deduct tax from the gross payments made to a droving contractor using the standard rate shown on the back of the IR330C, or the rate otherwise chosen by the drover, provided it's not less than the applicable minimum.

## Election-day workers

Election-day workers are people employed on a casual basis immediately before, on, or after polling day. Election-day workers are taxed through the PAYE system at a flat rate and use the tax code EDW on the IR330.

## Fishers

Fishers may be employees or self-employed contractors depending on the terms of their contracts. If you're unsure whether a fisher is an employee or self-employed, read page 5 of this guide.

For fishers that are employees, deduct PAYE from their wages using the current PAYE tables.

Payments to fishers who are not employees are taxed as schedular payments. Use the standard rate shown on the back of the IR330C, or the rate otherwise chosen by the fisher, provided it's not less than the applicable minimum.

## Foreign fishing workers

Foreign crew working on a fishing vessel are non-residents for New Zealand tax purposes, but have to pay New Zealand tax on their New Zealand income (income paid to a worker while fishing in New Zealand waters).

If they hold a work visa as foreign crew of a vessel fishing New Zealand waters, they are taxed through the PAYE system at a flat rate and use the tax code NSW (non-resident seasonal worker) on their IR330.

Use the NSW tax code for any foreign fishing workers on your **Employment information - IR348**. Student loan repayments are not deducted but, if required, you can make deductions for child support payments. Because they are non-residents, they will not be eligible to join KiwiSaver.

## IR56 taxpayers

IR56 taxpayers are workers whose employer is not required to deduct PAYE from their earnings. They are responsible for paying their own PAYE.

A person cannot be an IR56 taxpayer if they are self-employed.

Examples of IR56 taxpayers are:

- part-time private domestic workers, such as home helpers, attendant caregivers, nannies, gardeners and domestic odd-jobbers
- embassy staff
- New Zealand-based representatives of overseas companies
- United States Antarctic program personnel.

IR56 taxpayers have to complete and send in an IR348 within 10 working days of the end of the month and make payments on the 20th of the month following the pay period. For further help see our guide **IR56 taxpayer's handbook - IR356**.

## Jockeys and trotting drivers

Wages paid to apprentice jockeys or probationary drivers are liable for PAYE. Deduct tax from any riding or driving fees that are not wages.

They can use the standard rate shown on the back of the IR330C, or the rate otherwise chosen by the jockey or trotting driver, provided it's not less than the applicable minimum.

See page 10 of this guide for more information on schedular payments.

## Musicians, dance bands and orchestras

If bands or other entertainers are actual employees, you must deduct PAYE from payments made to them. Each performer in a band must fill in an IR330.

Musicians hired on a casual basis are usually paid schedular payments. Every performer in a group must fill in an IR330C using a WT tax code.

In the case of larger bands where the leader is in business and files income tax returns for that business, a **Certificate of exemption - IR331** may be used - see page 11 of this guide for more information. The leader must make deductions of PAYE or tax (as the case may be) from payments made to musicians involved in the band.

If the band is registered with us as a partnership, show the IRD number of the partnership on the IR330C (use the WT tax code).

## Door charges

Where a band member collecting door charges is accompanied by an employee of a licenced premises and the employee performs the licensing responsibilities of the licensee or manager (eg, allows or restricts entry), do not deduct tax from the door charges.

Where the band member is not accompanied by an employee, tax must be deducted from the charges made.

## Non-residents

Generally, someone who comes to New Zealand, stays less than 183 days in any 12-month period, and who does not have an "enduring relationship" with New Zealand, is taxed as a non-resident.

A non-resident is liable for New Zealand tax on income for personal services performed in New Zealand, and other income from New Zealand sources.

### For more help

If you want more information about tax residency, see our guide [New Zealand tax residence - IR292](#).

### Non-resident employees

Employers must deduct PAYE from wages paid to non-resident employees in the same way as for resident employees (see page 5 of this guide for a definition of an employee). However, a non-resident may be entitled to an exemption from New Zealand tax, either under a double tax agreement, or under the 92-day rule.

In general, the 92-day rule applies if all the following criteria are met:

- the visit is less than 92 days
- the person's income is being taxed in another country
- the employer is also a non-resident.

If you need more information about the 92-day rule call us on 0800 377 772.

It may not be clear if a non-resident qualifies for the exemption straight away. So any PAYE deducted before exemption is established may have to be refunded at a later date. Also, if a foreign tax administration requires tax payments, you may have to make double deductions.

The law gives employers the option of providing a bond or other form of security to Inland Revenue. We must approve any other form of security offered. Providing a bond or security means we can recover the PAYE if the employee becomes liable and payment is not made.

For a copy of the standard bond agreement or to apply for an exemption, contact the Significant Enterprises Non-resident Contractors Team (details below). If we accept the bond or security, you can stop deducting PAYE until the employee clearly becomes liable for tax in New Zealand. Please note, you must deduct PAYE until we accept the bond.

If it turns out the employee is not entitled to an exemption, you'll have to pay the PAYE on past wages paid. We'll tell you when the payment is due. If the person is employed over more than one income year, you must apportion the PAYE to the years the income was earned.

Once the PAYE is paid, we'll release you from the bond. However, if an employer does not pay the PAYE owing on the non-resident's wages, we'll exercise our rights under the bond.

If it becomes clear the employee is exempt from New Zealand tax, we'll release you from the bond.

Send bond applications to:

Team Leader  
Non-resident Contractors Team  
Inland Revenue Significant Enterprises  
PO Box 2198  
Wellington 6140

Phone 04 890 3056  
Fax 04 890 4502  
Email [nr.contractors@ird.govt.nz](mailto:nr.contractors@ird.govt.nz)

Contact Significant Enterprises if you would like more information about these bonds.

## Non-resident contractors

Payments to non-resident contractors must have tax deducted, unless they hold a valid certificate of exemption or are present in New Zealand for 92 days or less in any 12-month period. This means you will not be required to deduct any tax.

However, the non-resident contractor must have come from a country New Zealand has a double tax agreement with, and the activity or service carried out is exempt under the double taxation agreement.

Payments for contract work amounting to \$15,000 or less in a 12-month period will be exempt from non-resident tax. The non-resident contractors themselves will be responsible for paying any New Zealand tax owing at the end of the year.

Specified contract activities or services are:

- work carried on in New Zealand for construction, installation, assembly and similar projects, or consultancy, advisory and other professional or technical services for these projects
- the hire of personnel or equipment to be used in New Zealand.

### For more help

If you have any questions about how to treat non-resident contractors, contact the Non-resident Contractors Team (see page 53).

## Non-resident entertainers

Deduct tax from payments to non-resident entertainers, except from payments for a performance:

- that is part of a New Zealand or foreign government sponsored cultural programme, or
- that forms part of a programme of an overseas non-profit organisation, or
- in relation to a game or sport, where the participants are the official representatives of the organisation that administers the game or sport in an overseas country.

If you have any questions about non-resident entertainers, call Inland Revenue Large Enterprises, Auckland, on 09 984 4329.

## Interest, dividends or royalties

Any interest, dividend or royalty payments to a non-resident are liable for non-resident withholding tax. Details of the rates of tax and method of payment are in the **Non-resident withholding tax payer's guide - IR291**.

### For more help

If you have any questions about taxing non-residents and visitors to New Zealand, other than non-resident contractors and non-resident entertainers, contact the:

Non-resident Centre  
Inland Revenue  
Private Bag 1932  
Dunedin 9054  
Phone 03 951 2020  
Fax 03 951 2216

## Partners in a partnership

A partnership (except an investment partnership) may make payments to a working partner for services personally performed. These payments are treated as salary or wages if all of the following apply:

- the partner is employed under a binding written contract of service, signed by all the partners
- the contract states the amount payable to the working partner for the services
- the working partner personally and actively performs the services for the partnership.

These services may be of any kind needed for the partnership's business.

The payments are treated as salary and wages for the period between the date the contract became binding and the date the contract is terminated. The partnership must deduct PAYE and pay it to Inland Revenue.



## Piece-workers and outworkers

If the payment is for piece-work or is based on output, and is solely for personal services, deduct PAYE as usual.

If you do not pay salary or wages regularly, average the taxable earnings over the number of weeks in the working period. Treat any odd days as an extra week. Calculate the PAYE for each week separately and add up the PAYE to arrive at the total amount to deduct.

Payments to a labour-only contractor in the building industry are liable for tax. To work out whether a worker is an employee or a contractor, see page 5 of this guide.

## Recognised seasonal workers

Recognised seasonal workers must be employed by a registered employer from the Recognised Seasonal Employer (RSE) scheme and are generally employed in the horticulture and viticulture industries.

They're non-resident for New Zealand tax purposes, but have to pay New Zealand tax on their New Zealand income. Recognised seasonal workers are taxed at a flat rate through the PAYE system and use the tax code NSW (non-resident seasonal worker) on their IR330.

Use the NSW tax code for any recognised seasonal workers on your **Employment information - IR348**. You may also have to make deductions for child support payments. However, recognised seasonal workers will not have student loan deductions or be eligible to join KiwiSaver.

The RSE scheme is administered by the Ministry of Business, Innovation and Employment. To find out more information go to [www.employment.govt.nz](http://www.employment.govt.nz)

## Television and screen production industry workers

All resident contractors working in the screen production industry (generally, contractors who work behind the camera in television, video and film) must have tax deducted at the standard rate shown on the back of the IR330C, unless they choose their own rate subject to the applicable minimum. If they do not provide a **Tax rate notification for contractors - IR330C** or have not provided their name and IRD number on the form, use the non-notified rate of 45 cents in the dollar. Any contractors who would like to use a lower rate of deduction than the minimum applicable to them can still apply to us for a special tax rate certificate or a certificate of exemption.

### Taxing daily allowances

Daily allowances paid to resident and non-resident contractors and entertainers working in the screen production industry in New Zealand form part of their gross income and are subject to tax.

However, if you pay a contractor or entertainer a daily allowance in relation to services provided to a screen production, where the contractor or entertainer is working away from their town of normal residence, \$60 each day will be considered as expenditure, and you do not need to deduct tax from this amount.

If the daily allowance exceeds \$60, deduct tax from the portion that exceeds \$60.

#### *Example*

You pay a contractor a \$45 daily allowance as they're required to work away from their town of normal residence. You do not have to deduct tax because the total payment is less than \$60.

However, if the contractor or entertainer is also provided with the goods or services for which the allowance is paid, either by the payer or another party acting on the payer's behalf, the amount regarded as expenditure is reduced on a pro-rata basis. This is because the recipient of the allowance has not incurred the expenditure.



**Example**

You pay a contractor a \$60 daily allowance. The contractor is also provided with all meals while working, either on the set or at another location. The recipient has not incurred the expense so you must deduct tax from the allowance.

## Shareholder-employees in close companies

Deduct PAYE from:

- regular salaries paid to shareholder-employees for pay periods of one month or less
- other payments made to shareholder-employees we consider to be liable for PAYE.

Do not deduct PAYE from irregular salary payments made to a shareholder-employee.

Include in the IR4 company tax return all shareholder-employee salaries where PAYE has not been deducted.

## Shearers, shed-hands and shearing contractors

Shearers and shearing shed-hands have PAYE deducted at a flat rate and use the tax code CAE.

### Combined farming and shearing

When a shearer does ordinary farm work because shearing is impossible, include any wages for this work with shearing wages.

If a farm worker employed for normal farm work also does shearing work at shearers' rates of pay, treat the shearing wages as part of the normal pay for the pay period. Calculate the PAYE using the current PAYE tables. Do not use the special rate for shearers and shed-hands.

If a farmer does part-time shearing for another farmer, an IR330 declaration should be completed and PAYE deducted using the CAE tax code.

## Shearing contractors

Here are some of the situations you may come across if you have shearing contractors and shearing gangs working for you:

- The contractors pay their own shearers and show you a current **Certificate of exemption - IR331** - see page 11.

In this case do not deduct tax - pay the full contract price to the contractor.

- The contractors pay their own shearers and do not show you a current IR331.

You must get an IR330C from the contractor, who'll use a WT tax code. The contractor may also have a special tax rate certificate - see page 8. If you do not get an IR330C, or the IR330C is not fully completed, deduct tax at the non-notified rate. The contractor must deduct PAYE from wages paid to employees.

- You pay the wages of the contractor's employees.

In this case treat them as if you were employing them direct:

- Get a fully completed IR330 from each employee. If an IR330 is not given to you or is not fully filled in, deduct PAYE at the non-notified rate.
- Deduct PAYE for shearers and shearing shedhands using the CAE tax code.
- If the contractor has a current **Certificate of exemption - IR331**, pay the contractor the contract price less the wages you've paid to the employees.
- If the contractor does not have a current **Certificate of exemption - IR331**, you must get an IR330C from them and deduct tax from the contract payment. If they have a special tax rate certificate, you can deduct tax at the rate shown but you must still obtain an IR330C.

- Farmers who employ open-shed shearers or shearing shedhands must follow these steps:
  - Get a fully completed IR330 from each employee. If the IR330 is not completed, deduct PAYE at the non-notified rate.
  - Deduct PAYE for shearers and shearing shedhands at the current rates using the CAE tax code.

### Contractors who pay shearers

If you're a contractor and employ shearers and shearing shedhands, you must deduct PAYE from any payments you make.

### Allowances

Travelling allowances and hand-piece allowances are non-taxable.

All other types of allowances, including the value of free meals and board, are taxable. Add the value of these allowances to wages. Show any tax-free allowances paid in your wagebook.

### Spouses or partners

The term spouse or partner means a husband or wife, or a civil union or de facto partner you're living with. It does not include a person you have separated from.

If you employ your spouse or partner in your business (unless your business is a company) you must get approval from us to pay wages.

Approval must be applied for and given before a deduction for wages paid to your spouse may be claimed. Approval cannot be given if you have already claimed this deduction in your return.

We give approval if:

- the payment is solely for services given while carrying on the business, and
- the payment is not excessive. The rates must be the same as those you would pay to an unrelated employee for doing similar work.

Write to us giving the following details:

- The type of business which your spouse or partner is employed in.
- Full details of the work done by your spouse or partner.

- The average number of hours your spouse or partner works each week, and the number of weeks worked during the year.
- Details of any other workers you employ and the total amount paid as wages, not including the wages paid to your spouse or partner.
- How payment of wages is made, such as cash at regular intervals, periodically, or crediting to an account.
- The amount of wages paid to your spouse or partner.

It's a good idea to apply for approval before you start paying your spouse or partner wages. You need to make another application if you increase the wages as a result of:

- an increase in the duties performed by your spouse or partner, or
- an increase in pay that is not a general wage increase.

### Subsidised workers

If you employ someone who has been unemployed for a certain time, Work and Income may subsidise their wages.

Deduct PAYE from the employee's wages using the current PAYE tables. Tax deductions should be made from the gross wage, not the gross wage less the subsidy.

You must keep a record of the grants or subsidies received and how you've used them.

There are GST obligations for these grants. If you're registered for GST, the wages subsidy received will be GST-inclusive and the GST component will need to be returned in your GST return. You cannot claim GST on wages paid out.

## Workers engaged in "activity in the community" projects

Under current benefit laws, people may choose to participate in a recognised community activity. The sponsor is the organisation that provides the recognised community activity. As an employer, you may be a sponsor.

Participants of "activity in the community" projects still receive income support. Those who choose to participate in a recognised community activity receive an allowance in addition to their income support. The sponsor is responsible for paying this allowance and can claim it back from Work and Income every four weeks.

The sponsor is not an employer of any community work participants - they are acting as an agent of Work and Income in paying the allowance to the participant. This means the allowance is not subject to GST or income tax in the hands of the sponsor. You're not required to make any deductions from this allowance.

## Workers under labour-only contracts in the building industry

Payments made under labour-only contracts for the following activities in the building industry are liable for tax:

- erecting, extending, protecting, decorating, repairing or renewing buildings, other constructions, prefabricated or precut buildings
- carpenters under a building contract (excluding employees - their earnings are liable for PAYE)
- laying concrete, bricks, blocks, tiles, slabs or stones of any description
- fixing roofs or fences
- hanging wallpaper, other decorative wall-coverings or furnishings
- painting, decorating and plastering
- installing any fibrous plaster, wallboard, insulating material, interior tiles, carpets, linoleum or other floor coverings.

## Working owners of a look-through company

A look-through company may make payments to a working owner for services personally performed. These payments are treated as salary or wages if employed under a contract of employment.

A contract of employment is an agreement that:

- sets out the terms and conditions of the services to be carried out by the working owner
- sets out the amount payable to the working owner for the services
- is in writing.

## Payments under certain labour hire arrangements

This new type of schedular payment activity applies when labour hire businesses supply workers to perform work directly for their clients.

You must deduct tax from payments you make where:

- one of your main activities is the business of arranging for a person(s) to perform work or services for your client(s), and
- you make a payment for work or services provided directly for your client, or the client of another person.

Payments described above by a labour hire business to a company are also subject to tax on schedular payments.

To find out more about labour hire arrangements go to [ird.govt.nz/schedular-payments](https://ird.govt.nz/schedular-payments)

## Part 6 - Services you may need

### Need to speak with us?

Have your IRD number ready and call us on one of these numbers.

General tax, tax credits and refunds	0800 775 247
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We're open 8am to 6pm Monday to Friday, and 9am to 1pm Saturday. We record all calls.

Our self-service lines are open 7 days a week - except between 5am and 6am each day. They offer a range of automated options, especially if you're enrolled with voice ID.

Find out more at [ird.govt.nz/contact-us](http://ird.govt.nz/contact-us)

### 0800 self-service numbers

Our 0800 self-service numbers are open 7 days a week - except between 5am and 6am each day. Make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN.

Order forms, guides and returns	0800 257 773
All other services	0800 257 777

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

### How to get our forms and guides

You can get copies of our forms and guides at [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

### Voice ID

Voice ID identifies you through your unique voiceprint. Voice ID makes your calls to us faster and simpler, and your account more secure.

You can access our self-service options, eg resetting your myIR password, 24 hours a day, 7 days a week.

We'll ask you to enrol for voice ID when you call.

### Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

Go to a seminar or workshop, or request a visit from us to find out more about:

- records you need to keep
- taxes you need to know about
- using our online services
- completing your tax returns (eg GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to [ird.govt.nz/contact-us](http://ird.govt.nz/contact-us) and select the In person option to find out about requesting a visit.

Find a seminar or workshop near you at [ird.govt.nz/contact-us/seminars](http://ird.govt.nz/contact-us/seminars)

### Business Tax Update

We've made some changes to the way we share our updates with you.

[business.govt.nz](http://business.govt.nz) produce a newsletter covering a range of topics important to business. Along with a number of other Government agencies we'll have updates in this newsletter. You can still get up-to-date information about changes and improvements at Inland Revenue by reading our news and updates and articles on our media site.

For information topical to business you can subscribe to this newsletter at [business.govt.nz/join-us/subscribe-to-our-newsletter/](http://business.govt.nz/join-us/subscribe-to-our-newsletter/)

### Tax Information Bulletin (TIB)

The TIB is our monthly publication containing detailed technical information about all tax changes. Subscribe at [ird.govt.nz/subscriptions](http://ird.govt.nz/subscriptions) and we'll send you an email when we publish each issue.

## Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at [ird.govt.nz/privacy](https://ird.govt.nz/privacy)

## If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at [ird.govt.nz/disputes](https://ird.govt.nz/disputes)





