

# Employer's guide

Information to help you with your employer responsibilities





## Introduction

As an employer, you must deduct tax and other amounts from payments you make to people who work for you. You must also give us information about the payments you make to them. We explain what you're required to do and what may happen 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. Go to [ird.govt.nz/forms-guides](https://ird.govt.nz/forms-guides)

If you need help or 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. You do not need a work permit for permanent citizens and residents of New Zealand and Australia.

For more information about work permits please go to [immigration.govt.nz](https://immigration.govt.nz) or call the New Zealand Immigration Service on 0508 558 855.

## Changes to note

From 1 April 2026:

- the ACC earners' levy increased to \$1.75 per \$100 (1.75%). Levies are only deducted from earnings up to a maximum of \$156,641 and the total maximum levy payable is \$2,741.22.

## 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, find filing and payment dates, calculate PAYE and deductions for employees.
- **Forms and guides** – to download publications, guides and forms from our website.

### Forgotten your myIR 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](https://ird.govt.nz/forms-guides)

## Tips for using this guide online

This guide makes use of hyperlinks to our website, other agency websites and specific sections within the guide for other relevant information to help you with your employer obligations.

You can search for specific information in this guide using key words (Ctrl F).

# About this guide

## Part 1 - Your employer responsibilities

Records you need to keep, tax codes and PAYE and other deductions from salary or wages, and schedular payments.

## Part 2 – Allowances, holiday pay and lump sum payments

You may make payments to employees other than normal wages. Find out about the tax treatment of these other types of payments.

## Part 3 – Special types of workers and payments

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

## Part 4 – Filing employment information returns and paying deductions

Find out when you need to file employment information returns, the information you need to complete and when you need to pay deductions to us.

## Part 5 – Penalties

Learn about penalties and other charges.

## Part 6 - Services you may need

Our services, contact details and other useful information.

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## My notes

## Part 1 – Your employer responsibilities

You must register as an employer with us. If you're not already registered, you can do this in **myIR**, or by completing an **Employer registration - IR334** form.

We explain the tax codes and different amounts you may need to deduct from employee's or other workers pay. You must pay deductions to us by the due dates.

### Records you need to keep

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

You must keep all employment and wage records for at least 7 years:

- salary and wage information
- PAYE payment information
- completed employee tax code declaration (IR330) and tax rate notification for contractors (IR330C) forms
- letters from us requesting you change an employee's tax code or a contractor's tax rate
- written agreements treating payments to contractors as voluntary schedular payments that you make deductions from
- copies of certificate of exemptions, tailored tax code, tailored tax rate, student loan repayment deduction exemptions and special deduction rate certificates
- KiwiSaver forms.

To help with your record keeping, you can get computer payroll packages or specially designed wage books (go to [paper wage book example](#) page 78).

### PAYE intermediaries

You can hire a PAYE intermediary to complete your payroll requirements. If you use a PAYE intermediary, you'll need to:

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

PAYE intermediaries:

- calculate your payroll information
- pay your employees, including payment of any third-party deductions
- pay your 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.

If you have supplied the intermediary with all your relevant payroll information and gross payments, the intermediary is responsible for applying the PAYE rules correctly, not you.

## Employee, contractor receiving schedular payments or self-employed

There are 2 types of tax deductions, depending on the type of payment you are making:

- PAYE income payments made to employees
- withholding tax for schedular payments paid to contractors for certain activities, services, or industries.

You need to know if the people who work for you are employees, contractors or self-employed. The tax laws for employee salary or wage PAYE and other deductions are different to PAYE for contractor schedular payments. Generally, self-employed people do not have any deductions made from the payments you make to them.

### Note

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

Generally, if you control how and when the person's work is done, the person is your employee.

If most of the following apply, 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 (for example, hourly, weekly, monthly, or by unit of production)?
- Can they get paid 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 paid on commission, or piece-work basis may still be an employee, especially if there are other employees who work on the same basis.
- A person can be self-employed in 1 line of work and still work for someone else as an employee.

If you decide someone is not an employee, you may still have to deduct tax from [schedular payments to a contractor](#), see page 15.

If you need more help to decide whether your worker is an employee, send us a message from myIR or call us on 0800 377 772.

## Minimum employment rights and your obligations

It's important to know about minimum employment rights and your employer obligations.

Minimum employment rights	Your employer obligations
<p>Every employee:</p> <ul style="list-style-type: none"> <li>• must have an employment agreement in writing</li> <li>• is entitled to 4 weeks paid annual holidays at the end of each year of employment</li> <li>• aged 16 and over must be paid at least the applicable minimum wage</li> <li>• is entitled to 11 public holidays off work on pay if they normally work those days</li> <li>• is entitled to 10 paid sick days after 6 months of employment.</li> </ul>	<p>You must:</p> <ul style="list-style-type: none"> <li>• keep accurate records of the employees' time worked, payments, and holiday and leave entitlements</li> <li>• keep signed copies of employment agreements</li> <li>• take all practical steps to ensure employees' safety</li> <li>• provide personal protective equipment for employees</li> <li>• make sure the person you employ has the legal right to work in New Zealand.</li> </ul>

For more information on the minimum employee and employer rights and responsibilities go to [employment.govt.nz/starting-employment/rights-and-responsibilities](http://employment.govt.nz/starting-employment/rights-and-responsibilities) or call Employment New Zealand on 0800 209 020.

## Amounts to deduct

### PAYE calculator

You can use our PAYE calculator to work out the amounts you need to deduct from an employee's salary or wages:

- PAYE
- KiwiSaver deductions
- Student loan repayment deductions
- Employer superannuation contributions
- Employer superannuation contribution tax (ESCT).

The PAYE calculator can also help you work out the gross payment and PAYE to deduct if you've paid the employee a net amount.

- **PAYE calculator** – go to [ird.govt.nz/payee-calculator](https://ird.govt.nz/payee-calculator)

### Tax tables

We have tax tables for **weekly and fortnightly pays – IR340** and **4-weekly and monthly pays – IR341** where you can look up the amounts to deduct for PAYE, Student loan and KiwiSaver, employer contributions and ESCT.

- **Tax tables** – go to [ird.govt.nz/forms-guides](https://ird.govt.nz/forms-guides)

### PAYE

PAYE stands for pay as you earn. PAYE is the amount of income tax you take out of your employees' salary or wages whenever you pay them. PAYE includes [ACC earners' levy](#) - see page 18. The amount to deduct depends on whether the employee is using a main or secondary tax code.

### KiwiSaver, student loan and child support deductions

You may have to make deductions for:

- [KiwiSaver deductions](#) page 19
- [Student loan repayment deductions](#) page 20
- [Child support deductions](#) page 23.

### Employer superannuation contributions and ESCT deductions

If your employee is a member of a KiwiSaver scheme or a complying fund, you must make compulsory employer contributions and deduct employer superannuation contribution tax (ESCT).

- [Employer superannuation contributions and tax \(ESCT\)](#) page 26.

### Schedular payment deductions

Withholding tax is deducted from schedular payments made to contractors. Student loan, KiwiSaver and ACC earners' levy deductions are not made from schedular payments. For more information go to [schedular payments](#) on page 15.

### Tax codes

All employees and/or contractors working for you must give you a completed **Tax code declaration – IR330** (employees) or **Tax rate notification for contractors – IR330C** (contractors). You must keep these forms for 7 years after the last wage payment is made to the employee or contractor.

The person you are paying must complete the following information:

Tax code declaration – IR330 (employees)	Tax rate notification for contractors – IR330C
Name	Name
IRD number	IRD number
Tax code	Tax rate percentage based on schedular payment activity

If any of the required information is missing from the IR330 or IR330C or the person does not give you a form, you must deduct PAYE using the [non-notified rate](#) – see page 13.

## Tax code declaration - IR330 for employees

All new employees must complete a **Tax code declaration - IR330** when they start working for you. Employees choose a tax code best suited to their situation. There are notes in the IR330 to help them work out their correct tax code.

If an employee's tax code changes, they must give you a new IR330.

You can order forms from us or download and print forms from [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

The screenshot shows the IR330 Tax code declaration form. It includes sections for 'Your details' (Family name, IRD number), 'Your tax code' (with instructions on how to choose a code), and 'Declaration' (signature). A privacy notice is also visible at the bottom.

## Main employment

Most employees have 1 main or highest source of salary or wage income. This includes taxable pensions, main benefits and student allowances. An employee can use only 1 main tax code for their salary or wage income at any time.

Main codes	
No student loan	With student loan
M	M SL
ME	ME SL

For more information about [student loan repayment deductions](#) go to page 20.

## ME and ME SL for independent earner tax credit (IETC)

IETC is a tax credit for New Zealand tax residents with annual income between \$24,000 and \$70,000.

PAYE deductions for an employee using an IETC tax code (ME or ME SL) is reduced by up to \$10 per week. For each dollar earned over \$66,000, IETC reduces by \$0.13, reaching a nil entitlement after \$70,000.

This tax credit is included in the PAYE calculator when the ME or ME SL tax code is used and in our tax tables, so you do not need to do any additional calculations.

To use this tax code your employee:

- or partner must not be entitled to Working for Families
- or partner must not receive an overseas equivalent of Working for Families
- must not receive a main benefit, NZ super, Veteran's pension or an overseas equivalent.

Employees need to select the ME or ME SL on the Tax code declaration - IR330. If they're not sure if they qualify for IETC, they can continue to use the M or M SL tax code, and we will calculate their entitlement in their income tax assessment at the end of the tax year instead.

## Secondary employment

If an employee is already using a main tax code for another job, taxable pension, main benefit or student allowance, they must choose a secondary tax code for any other employment.

- Using the correct secondary tax code reduces the possibility of your employee getting a tax bill and/or student loan underpayment at the end of the year.
- Employees can choose to have their secondary income taxed at a higher rate.

## Secondary income thresholds, tax codes and rates

The PAYE deducted from secondary employment income depends on the tax code selected by your employee in their tax code declaration.

Income thresholds	Tax codes (no student loan)	PAYE rate including ACC earners' levy	Tax and student loan tax codes	PAYE and student loan rate
\$0 – \$15,600	SB	12.25%	SB SL	24.25%
\$15,601 – \$53,500	S	19.25%	S SL	31.25%
\$53,501 – \$78,100	SH	31.75%	SH SL	43.75%
\$78,101 – \$180,000	ST	34.75%	ST SL	46.75%
\$180,001 upwards	SA	40.75%	SA SL	52.75%

**Note** Employees can use a secondary tax code with more than 1 employer at the same time.



#### Secondary tax code example

Belinda has one full-time and 2 part-time jobs. She uses a main tax code for her full-time job and secondary tax codes for her 2 part-time jobs. Belinda must estimate what her total gross earnings for the year will be to work out the right secondary tax code to use for her part-time jobs.

Main job income	\$30,000
Secondary job 1	\$10,000
Secondary job 2	\$ 5,000
Total estimated gross earnings for the year	\$45,000

Belinda chooses the S tax code for both of her secondary jobs because her earnings for the year will be under \$53,501.

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

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



#### Employee with 2 tax codes for same employer

Amy works in the spray-painting 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 2 tax code declarations for the work she does in the different divisions:

- spray-painting division using tax code M (her main job)
- glass division using tax code S (her secondary job).

### Choosing the right tax code - help for employees

The IR330 includes a flow chart to help employees choose the right main or secondary job tax code to use. Income thresholds are included for secondary tax codes and there are notes on the last page of this form to explain some situations in more detail.

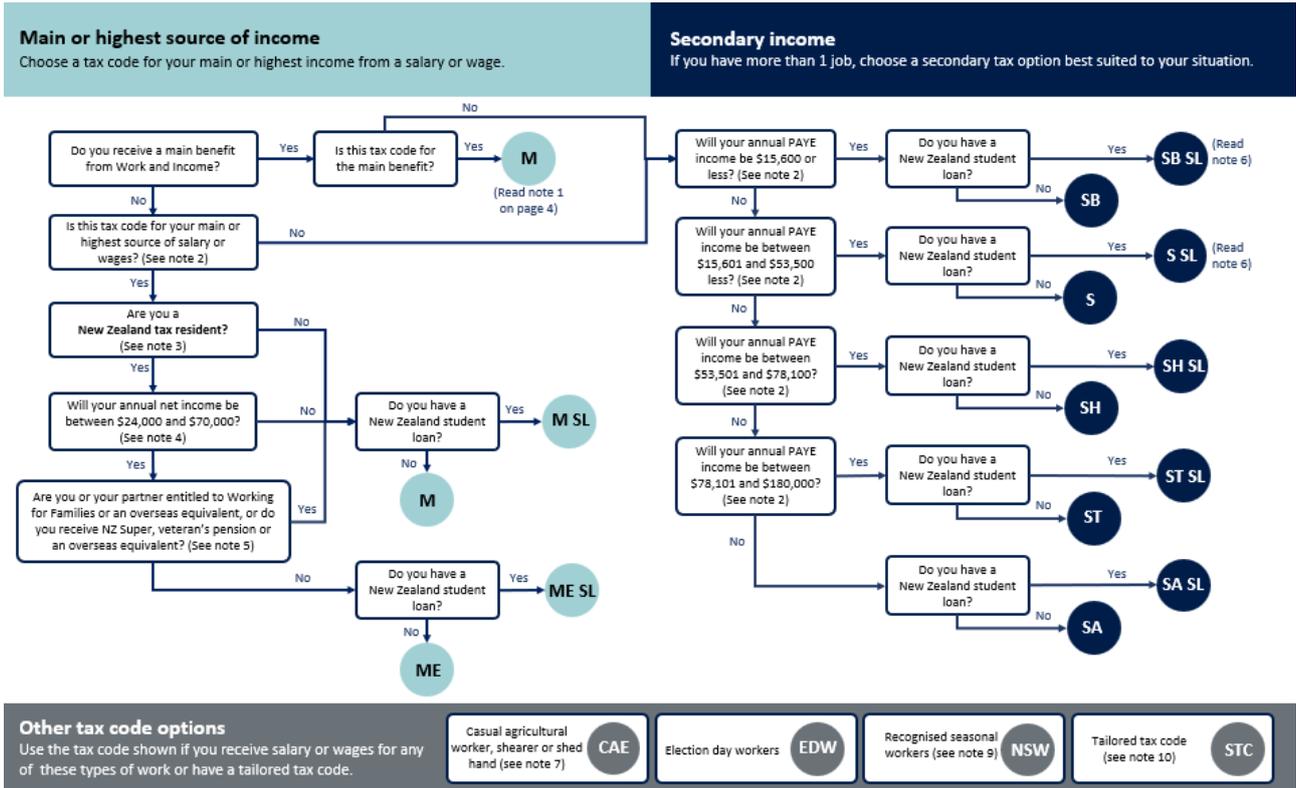
Employees should follow the flow chart on page 2 of the **Tax code declaration - IR330** to choose the most suitable code for their situation.

For more information about the tax rates and income thresholds, go to [ird.govt.nz/tax-rates](https://ird.govt.nz/tax-rates)

#### Note

Using the right tax code is important – it can help employees avoid a tax bill and/or student loan underpayment at the end of the year.

## IR330 tax code flow chart



## Employees using the wrong tax code

We regularly check the details in the employment information returns you file with us to make sure the right amount of tax and student loan repayments are deducted from your employees' salary or wages.

If we notice an employee is using the wrong tax and/or student loan repayment code, we'll ask you to change it. We'll let you know the code they should be using. You'll need to change their tax code starting from the next pay period, to make sure they're paying the right amount of tax and/or student loan repayments as quickly as possible.

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

If an employee disagrees 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.

## Tax code and tax rate notification for contractors – IR330C

Contractors being paid schedular payments, need to complete a **Tax rate notification for contractors - IR330C**. For more details on [contractors and schedular payments](#) see page 15.

The IR330C includes schedular payment activities and rates for deducting tax. The tax code for schedular payments is **WT**.

## Non-notified rate – ND tax code

### Employees receiving salary and wages

If an employee does not give you a tax code declaration or it's not completed in full, you must deduct PAYE at the non-notified rate of 46.75% (includes ACC earners' levy). In your employment information return, enter ND as the tax code.

#### How to calculate PAYE at the non-notified rate

- Basic gross pay amount
- Add any overtime, regular bonus and taxable allowances
- This is the total earnings for PAYE
- Multiply total earnings by 46.75% (whole dollars only).



#### Non-notified rate

Brad forgot to give his employer George a tax code declaration in time for his first pay. George must deduct PAYE on Brad's pay using the ND rate of 46.75%.

Brad's pay for his first week is \$860. He has no taxable allowances.

$\$860 \times 46.75\% = \text{PAYE}$	\$402.05
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George adds Brad to his employment information return using ND as the tax code.

Brad gives George his tax code declaration with the M code in time for his next pay. George updates Brad's tax code to M and deducts PAYE using the new code.

### Contractors receiving schedular payments

If a contractor does not give you a tax rate notification (IR330C), you must use the non-notified rate. You must also use this rate if they give you the IR330C without their name and/or IRD number. The rate to deduct is 45% unless the contractor is a non-resident contractor company – their rate is 20%. You still use the tax code WT in your employment information return.

If they give you a completed tax rate notification but have not provided a tax rate, use the standard rate for their activity located on page 3 of the IR330C. For more information about [schedular payments](#) go to page 15.

## Tailored tax codes and rates

### Tailored tax codes and student loan special deduction rates

You may be given a certificate by your employee to deduct tax and/or student loan deductions at a special rate. The certificate may authorise you to deduct:

- PAYE using a specified rate
- ACC earners' levy only
- student loan repayments at a specified rate.

#### Note

If a certificate asks you to deduct ACC earners' levy only (no PAYE) the amount goes in the PAYE tax column of your employer information return.

If you do not get a certificate, you must deduct the normal rate of tax and other deductions.

For more information about [student loan special deduction rates](#), go to page 21.

## Tailored tax rate for schedular payments

Companies or contractors carrying out contracts in the agricultural, horticultural or viticultural industries, or contracted under a labour-hire arrangement may hold a tailored tax rate certificate. Withholding tax should be deducted using the rate on the certificate (this may be no tax at all).

## Checking certificates

Check the name on the certificate is the person working for you and the IRD number is the same as their IR330 or IR330C.

The certificate must:

- be for the current tax year
- show the period it applies to
- show the deduction rate.

The example certificate shown is a tailored tax code for an employee paid salary or wages who does not have a student loan.

Tailored tax code certificate

Inland Revenue  
 PO Box 2198  
 Wellington, New Zealand 6011  
  
 Telephone: 0800 775 247  
 IRD number: 000-000-000

Date of issue: 20-Jun-2026

Certificate number: 0-000-000-000

This certificate is valid from 20 June 2026 to 31 March 2027.

Dear Beautiful Art Limited

Name	IRD number
Jelico Brown	000-000-000

You can now do the following for this employee:

- Use tax code STC
- Make deductions at the rate of 24.75 percent of gross income. This deduction rate includes ACC earners' levy.

Keep a copy of this certificate with your employee's wage records.

Yours sincerely,

Customer Segment Lead

It is an offence to alter this certificate

## Making deductions and your employment information returns

Calculate the amount to deduct by multiplying the employee's gross pay (including any overtime, regular bonus and taxable allowance) by the rate in the certificate. There may be 2 rates if the certificate is for PAYE and student loan deductions.

## Tax code for employment information returns

The tax code to show in your employment information returns depends on the type of certificate:

- tailored tax code certificates – use STC for the tax code
- student loan special deduction rate – use the tax code shown on the certificate
- tailored tax code and student loan special deduction rate – use STC for the tax code
- tailored tax rate for contractor schedular payments – use WT tax code.



### Tailored tax code

Nikau has a tailored tax code certificate asking his employer to deduct PAYE at the rate of 24.75% (includes ACC earners' levy of 1.75%).

Nikau earns \$1,000 per week before tax. The employer calculates the PAYE using the new rate and deducts the amount from Nikau's pay:

$\$1,000 \times 24.75\% = \text{PAYE}$	$\$247.50$
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### Note

#### Tax certificate includes student loan special deduction rate

The special deduction rate replaces the standard student loan deduction. Use this rate to calculate the student loan deduction.

#### Tax certificate does not include student loan special deduction rate

Continue to deduct student loan repayments on gross pay for a:

- main job tax code at 12% for every dollar over \$464 per week
- secondary tax code at 12% in every dollar.

To find out how to calculate deductions for a [student loan special deduction rate](#) go to page 21.

### Note

If you pay a bonus to an employee with a tailored tax code, deduct tax at the rate shown on the certificate.

## Expired certificates

If a certificate expires and it's not replaced by another certificate or a new IR330 or IR330C, use the tax code or rate from the last IR330 or IR330C they gave you.

If you do not already have their tax code or tax rate declaration, use the non-notified tax rate until they give you an IR330 (employees) or IR330C (contractors), or a new tailored tax code, tax rate, or special deduction rate certificate.

## Schedular payments

Schedular payments are made to people who are employed on a contract-for-service basis. For information to help you work out who is an [employee, or a contractor](#) go to page 8.

You must deduct withholding tax from schedular payments using the activity and rate in the worker's **Tax rate notification for contractors – IR330C**, including workers registered for GST, unless they show you a:

- [Certificate of exemption - IR331](#) - see page 17, or
- [Tailored tax rate certificate](#) with a 0% deduction rate – see page 14.

Some types of schedular payments, for example commissions, directors' fees and payments to non-resident contractors, are covered in more detail in [Part 3](#) page 49.

### Note

If the type of work you've hired a contractor to do is not listed in the IR330C, you do not need to deduct tax from payments you make to them.

## Minimum rates for schedular payments

Most contractors can choose the rate of tax to be deducted as long as it's not lower than the minimum rate. They do not have to use the standard rate for their activity listed in the IR330C:

- 15% for non-residents and anyone on a temporary entry class visa
- 10% for everyone else.

Non-resident entertainers and professional sportspeople visiting New Zealand must use 20% - they cannot choose their own rate.

## Voluntary schedular payments

Contractors who are not required to have tax deducted from their payments can choose to have tax deducted. They must discuss this with you first and if you agree you must have this agreement in writing. We recommend the agreement includes:

- your name and the name of the contractor
- agreement 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.

The contractor must also give you a completed IR330C. If they do not choose a tax rate, use the standard rate of 20%.

### Note

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

## When schedular payment deductions do not apply

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.

### Note

This does not include:

- post-harvest facilities for work or services provided
  - a management entity responsible under a formal management agreement, for payment for the work or services provided.
- to a non-resident contractor 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.

## GST on schedular payments

If your contractor is GST registered, they may give you taxable supply information charging GST on the goods and services supplied.



### Calculating tax for a GST registered contractor

Michael is a GST registered contractor and has given Sarah, his employer taxable supply information for the work he has completed, using the WT tax code. Michael's activity rate is 20%.

Labour cost	\$ 500.00
Plus GST (\$500 x 15%)	\$ 75.00
Total for taxable supply information	\$ 575.00

- Sarah works out the tax on the GST exclusive amount:

GST exclusive payment amount	\$ 500.00
Less tax (\$500 x 20%)	\$ 100.00
Net schedular payment	\$ 400.00

- Sarah's payment to Michael:

Net schedular payment	\$ 400.00
Plus GST	\$ 75.00
Total paid to Michael	\$ 475.00

- Sarah includes \$500 as the total gross pay amount and WT as the tax code in her employment information return.
- Sarah also includes the GST charged (\$75.00) as an expense in her GST return.

## Certificate of exemption – IR331

You may be shown a certificate of exemption by a contractor. The contractor does not give you the certificate as it is usually needed for multiple employers (for example, agricultural contractors working for different farmers).

The certificate of exemption means you do not deduct any tax from the payments you make to them. This includes certificates of exemption held by [non-resident contractors](#) undertaking contract activity in New Zealand see page 53 for more information.

### Note

- Keep a note of the certificate number and the payments you make to a contractor with an exemption in case we ask to review your records.
- Do not include tax-exempt payments in your employment information returns.

A certificate of exemption cannot be used:

- by an employee to stop PAYE deductions from their salary or wages
- for payments made to a contractor receiving schedular payments under certain labour hire arrangements.

### Note

A labour hire arrangement is where a person is paid by a labour hire business (for example a recruitment agency) to do the work or services directly for their clients. The client pays the labour hire business who pay the worker.

## Checking the IR331

You must check the certificate of exemption to make sure it is valid and current.

- Certificate is valid and current – do not deduct tax from payments you make to them.
- Certificate is not valid or current – the contractor must complete a **Tax rate notification for contractors - IR330C**. You must deduct tax from schedular payments you make to them.

## ACC earners' levy

Most employees must pay ACC earners' levy to cover the cost of non-work-related injuries. We collect this on behalf of the Accident Compensation Corporation (ACC). The rate for the tax year ending 31 March 2027 is 1.75%.

PAYE includes ACC earners' levy already, so no extra calculations are needed.

Not all payments have ACC earners' levy deducted:

Deduct ACC earners' levy from:	Do not deduct ACC earners' levy from:
<ul style="list-style-type: none"> <li>• salary and wages</li> <li>• overtime pay</li> <li>• backpay and holiday pay</li> <li>• long-service leave pay</li> <li>• bonuses or gratuities</li> <li>• taxable allowances</li> <li>• shareholder-employee salaries with PAYE deductions</li> <li>• salaries to partners in a partnership</li> <li>• salaries to working owners of a look-through company.</li> </ul>	<ul style="list-style-type: none"> <li>• schedular payments</li> <li>• retirement payments</li> <li>• redundancy payments</li> <li>• employee share scheme benefits</li> <li>• jury fees</li> <li>• witness fees</li> <li>• taxable and non-taxable pensions</li> <li>• tax-free allowances</li> <li>• shareholder-employee salaries with no PAYE deductions.*</li> </ul>

\* The ACC invoice close company employers for ACC earners' levy on shareholder-employee remuneration that does not have PAYE deducted. The levy is based on the shareholder-employee remuneration declared in the company's IR4 income tax return.

## Maximum earnings for ACC earners' levy

ACC earners' levy does not apply to earnings over the maximum. For the tax year ending 31 March 2027 the maximum is \$156,641.

Maximum earnings based on pay frequency	
\$3,012 per weekly pay	\$12,048 per 4-weekly pay
\$6,024 per fortnightly pay	\$13,053 per monthly pay

ACC earners' levy rates and the maximum earnings amount are adjusted each year. To check the latest rate and maximum earnings, go to [ird.govt.nz/acclevy](http://ird.govt.nz/acclevy)

### Note

The maximum does not apply to PAYE on:

- regular secondary income
- casual agricultural employee payments
- election day worker's earnings
- earnings where the non-notified rate is used.

## KiwiSaver – employee deductions and employer contributions

You must make KiwiSaver available to all eligible employees.

### Enrolling employees

- enrol all new employees and returning employees (who previously opted out of KiwiSaver) if they:
  - are eligible to join KiwiSaver (go to [ird.govt.nz/kiwisaver-employee-eligibility](https://ird.govt.nz/kiwisaver-employee-eligibility))
  - meet the automatic enrolment criteria (go to [ird.govt.nz/starting-employees-in-kiwisaver](https://ird.govt.nz/starting-employees-in-kiwisaver))
- enrol existing eligible employees who choose to opt in (go to [ird.govt.nz/kiwisaver-employee-opt-in](https://ird.govt.nz/kiwisaver-employee-opt-in))

#### Note

- When you enrol a new or returning employee or existing employee opting in, give them a **KiwiSaver employee information pack – KS3**
- If you enrol them in an employer-chosen scheme, you must also give them a product disclosure statement from the scheme provider.

### Provide employee KiwiSaver details to us

You'll need to give us KiwiSaver information for new employees. You can do this in myIR or by completing a **New Employee and KiwiSaver details – IR346K** form for each new or returning employee and existing employees opting in to KiwiSaver.

You can give us the information before their first pay day or when you file the employment information return that includes their first pay. We'll need their name, KiwiSaver status, IRD number, tax code and contact details. Include their date of birth if you have it.

### Employees who have opted out of KiwiSaver

An employee can opt out of KiwiSaver themselves in their myIR account or by filling out a **KS10 KiwiSaver opt-out** request form. They may give this form to you. You must forward the form to us to update the opt-out information for the employee.

### Deducting KiwiSaver employee and employer contributions

All eligible employees must complete a **KiwiSaver deduction form - KS2** when they start working for you. This form includes the rate your employee has chosen for KiwiSaver deductions to be made from their pay.

KiwiSaver deduction rates				
3.5%	4%	6%	8%	10%

If automatically enrolled employees do not give you a KS2 form, the default deduction rate is 3.5% of their gross salary or wages.

You must:

- deduct KiwiSaver contributions from employees enrolled for KiwiSaver using their chosen rate or the default rate if no KS2 has been provided
- make employer contributions based on a percentage of the employee's salary or wages to their KiwiSaver scheme or complying fund (some exceptions apply)
- keep KS2 forms for 7 years, along with your other wage records.

#### Note

- For more information read our **KiwiSaver employer guide – KS4**
- For more information about making [employer contributions](#), go to page 26.

## Student loan repayment deductions

You may need to make student loan deductions if your employee's tax code declaration – IR330 includes a SL tax code:

Main job student loan tax codes	Secondary student loan tax codes		
M SL	SB SL	S SL	SH SL
ME SL	ST SL	SA SL	

### Note

Do not make student loan repayment deductions from:

- contractors receiving schedular payments
- casual agricultural workers using CAE tax code
- election day workers using EDW tax code
- non-resident seasonal workers using NSW tax code.

If your employee tells you part-way through the year they should have been using a SL tax code, start deducting repayments from the time you get the new code.

### Deductions from main job SL tax codes

For employees with a main job student loan tax code, you must make repayment deductions if their gross pay for the pay period is over the repayment threshold.

### 2027 pay period repayment thresholds for main SL tax codes

Pay frequency	Repayment threshold
Weekly	\$ 464.00
Fortnightly	\$ 928.00
3-weekly	\$ 1,392.00
4-weekly	\$ 1,856.00
Monthly	\$ 2,010.66

The student loan annual repayment threshold for the 2027 tax year is \$24,128. Thresholds change each year.

To check the current thresholds, go to [ird.govt.nz/SL-thresholds](http://ird.govt.nz/SL-thresholds)

Use our [PAYE calculator](#) or tax tables to work out the amount to deduct.

### Calculating SL deductions for main job tax codes

- Employee's gross earnings (including overtime, regularly paid bonuses)
- Plus [taxable allowances](#) for the pay period = total gross pay
- Less pay period repayment threshold
- Multiply the balance by 12% to get the repayment amount and deduct this from the total gross pay.

Gross earnings includes overtime and regular bonus payments.



#### Student loan deduction for main job

Rama is using the M SL tax code for her student loan. Fortnightly pay is \$1,700.

Total gross pay	\$ 1,700.00
Less fortnightly repayment threshold	\$ 928.00
Total for student loan repayment	\$ 772.00
Student loan deduction \$772.00 x 12%	\$ 92.64

### Deductions from secondary job SL tax codes

Employees using a secondary tax code have 12% deducted for every dollar earned. Multiply the gross pay by 12% and deduct this from your employee's gross pay.

## Student loan special deduction rates and repayment exemptions

Sometimes the tax code an employee must use when they have a student loan may mean they have more deducted from their pay than needed.

The employee can apply for a repayment deduction exemption where no student loan repayments are required to be deducted (they must be in full-time study) or a special deduction rate, to lower the amount deducted from their pay.

### Student loan repayment deduction exemption certificates

Employees studying full-time and earning under the [annual repayment threshold](#) can apply for a repayment deduction exemption (RDE) to stop student loan deductions being made from their pay. Your employee needs to give you their RDE certificate to stop deductions.

- Stop making student loan deductions from the date you get the employee’s RDE certificate, until the end of the tax year (31 March).
- If your employee renews their RDE certificate for the next year, continue with no deductions.
- If they have not renewed their RDE, change the employee’s SL repayment code back to the tax code on their latest IR330, and start making student loan deductions from their pay. If you do not do this, they may end up with a significant under-deduction.



#### Repayment deduction exemption

Ivy is a university student who works full-time in the holidays earning \$800 per week. Over the year 1 April to 31 March, Ivy will work 19 weeks, earning \$15,200 in total.

If Ivy uses the M SL tax code, her employer must deduct \$40.32 each week for her student loan ( $\$800 - \$464 = \$336 \times 12\%$ ).

Because Ivy will earn less than \$24,128 for the year, she does not need to make any repayment towards her student loan. She can apply for a repayment deduction exemption, so her employer does not make any student loan deductions from her weekly pay.

### Student loan special deduction rates

Your employee may give you a student loan special deduction rate certificate. The certificate has the rate to use for calculating their student loan repayments, and the time it's valid for.

The certificate may ask you to deduct student loan repayments at a lower percentage rate or no student loan repayments at all.

#### Note

- You can only make deductions using the special deduction rate if you are the employer named on the certificate.
- Employees must renew their special deduction rate each quarter.
- If you do not get a new certificate when the current quarter ends, start making student loan deductions from their next pay.



#### Special deduction rate

The next year Ivy is studying part-time and has a 2nd job. She estimates she’ll still earn \$15,200 from her main job working during the university holidays (19 weeks at \$800 per week) and \$10,000 from her secondary job (total income \$25,200).

Ivy is earning more than the annual repayment threshold and is no longer in full-time study, so she cannot apply for a repayment deduction exemption.

But if she uses the M SL and S SL tax codes based on her annual income, she will pay a lot more than she needs to for her student loan obligation.

- Ivy’s deductions using M SL and S SL for her 2 jobs:

Repayment deductions for main job $\$40.32 \times 19$ weeks	\$ 766.08
Repayment deductions for secondary job $\$10,000 \times 12\% =$	\$ 1,200.00
<b>Total repayment deductions for year</b>	<b>\$ 1,966.08</b>

- Ivy's repayment obligation at the end of the year:

Annual income from main job	\$ 15,200.00
Annual income from secondary job	\$ 10,000.00
Total income	\$ 25,200.00
Less annual repayment threshold	\$ 24,128.00
Income over repayment threshold	\$ 1,072.00
<b>\$1,072 x 12% = actual repayment required for year</b>	<b>\$ 128.64</b>
<b>\$1,966.08 - \$128.64 = student loan overpayment</b>	<b>\$ 1,837.44</b>

- Ivy applies for a special deduction rate each quarter for both of her employers.

In this example Ivy only needs to have deductions made from her main job. Her secondary job will have a 0% special deduction rate notice so that employer does not make any student loan deductions.



**Calculating the special deduction rate for main job**

The certificate asks the employer to deduct PAYE using Ivy's M SL tax code, and student loan deductions using the special deduction rate of 2.1% (instead of 12%).

Ivy's weekly pay is \$789. The weekly repayment threshold is \$464

Weekly pay	\$ 789.00
Less weekly repayment threshold	\$ 464.00
Amount over threshold per pay	\$ 325.00
\$325 x 2.1%	\$ 6.83

Ivy's employer deducts \$6.83 for her student loan repayment.



**Calculating the special deduction rate for a secondary job**

Mara has a special deduction rate for her secondary job.

The certificate asks the employer to deduct PAYE using Mara's S SL tax code, and student loan deductions using the special deduction rate of 5% (instead of 12%).

Mara earns \$1,000 per fortnight. Her employer calculates the PAYE and new student loan amount and deducts \$241 starting from Mara's next pay.

PAYE on \$1,000 x 19.25% (includes ACC earner's levy) =	\$ 192.50
Student loan deduction \$1,000 x 5% =	\$ 50.00
Total deduction	\$ 242.50

**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 based on their tax code.

**Note**

You must show extra deductions separately on your employment information return as either:

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

**Paying student loan deductions to us**

Student loan deductions must be paid to us together with the PAYE deducted.

**Prejudice**

It is an offence to discriminate against an employee because of their student loan responsibilities. You can be fined if convicted of a [prejudice](#) offence, for more information see page 77.

## Child support deductions

We assess and collect child support from parents who do not live with their children full-time. 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.

- It is compulsory for employees and contractors (receiving schedular payments), to pay their child support by deductions made from their employment income.
- You are required by law to deduct child support from their wages or schedular payments.

Child support deductions are not included in the PAYE tax tables as the amount to deduct is not based on what the employee earns each pay day. We'll send you a deduction notice when child support is required to be deducted from an employee's pay.

### Note

If an employee or contractor asks you to stop or start deducting child support, please tell them to contact us. You must continue to make deductions unless we tell you to stop.

## Child support deduction notices

We'll send a notice asking you to deduct child support payments from your employee or contractor's pay. We email you to let you know a deduction notice has been sent to your myIR account. If you're not registered for myIR, the notice is posted to you.

There are 2 different deduction notices. How you pay the child support deductions to us and what you include in your employment information return depends on whether the deduction is for an employee or a contractor receiving schedular payments.

Deductions for employees	Deductions for contractors
Include child support deductions in your employment information returns for each employee you make deductions for.	Do not include child support deductions in your employment information return. The deduction notice explains how to make and pay deductions to us.

Notices include:

- the name of the person and their IRD number you must make deductions for
- the frequency and pay day when you must start deducting child support
- the amount to deduct each pay
- whether the notice replaces an earlier child support deduction notice.

The employee deduction notice includes all employees you need to start, stop or change child support deductions for.

### Note

Please do not make child support deductions before the start date in the notice.

## Changes to information in the notice

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

If the details in the notice are not right, the deductions we calculate for the employee or contractor may not cover the amount of child support they need to pay, or they may be charged late payment penalties when they should not. For example, if the pay day or pay frequency in the deduction notice is different from their actual pay day or pay frequency, please contact us so we can change our information and send you an updated notice.

If the amount to deduct from an employee changes during the year, we'll send an updated notice with the new amount of child support and when you must start deducting it. We'll also notify you when you need you to stop deducting child support, with the date to make the final deduction.

## Priority of child support deductions

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).

## Protected net earnings

Child support deductions cannot be more than 40% of an employee's protected net earnings. This is their gross pay less income tax (PAYE less ACC earners' levy) and the child support deduction. The remaining 60% is the employee's protected net earnings to cover other deductions and their living expenses.

### Note

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

## When protected net earnings apply

We calculate the amount of child support you must deduct each pay based on your employee's usual net earnings. This is the amount we ask you to deduct in the notice we send you.

You may need to calculate protected net earnings when an employee's pay is less than usual. If the child support deduction is more than 40% of the protected net earnings, you must lower the child support deduction.



### Protected net earnings example

John's normal weekly gross pay is \$1,500. John's tax code is M SL as he has a student loan. His employer George has a child support notice to deduct \$230 per week from John's normal pay.

John takes 3 days leave without pay during a week. His gross pay for the week is \$600.00.

Protected net earnings calculation		
John's gross weekly pay for the week (2 days)		\$ 600.00
PAYE (including earners' levy)	\$ 94.50	
Less ACC earners' levy (\$600 x 1.75%)	\$ 10.50	
		\$ 84.00
Net earnings		\$ 516.00
Maximum child support deduction $\$516 \times 40\% =$		\$ 206.40
George deducts \$206.40 for John's child support.		
Gross pay		\$ 600.00
PAYE (including earners' levy)	\$ 94.50	
Maximum child support deduction	\$ 206.40	
Student loan repayment deduction	\$ 16.32	
Less total deductions		\$ 317.22
John's take home pay		\$ 282.78

John's child support deduction cannot be more than \$206.40 (40% of his net earnings).

### Note

Do not make up the difference in deductions from a future pay. We arrange this with your employee.

## When the amount you deduct is different to the notice

You need to let us know if the child support deduction for an employee is different to the amount in the deduction notice. Choose the most appropriate code from the list and show this in your employment information return.

Child support code	Reason
<b>A</b>	<p><b>Payment in advance</b></p> <p>Use this code if you pay an employee in advance. Deduct the same amount of child support as you would if you were paying the employee on the usual pay day. 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.</p>
<b>C</b>	<p><b>Ceased employment</b></p> <p>Use this code if an employee stops working for you. Deduct child support from the last full pay you gave them, and from any holiday pay owed. We will remove the employee from your records.</p>
<b>D</b>	<p><b>Previously deducted</b></p> <p>Use this code if the full amount of child support requested from an employee's wages is not deducted because you made an advance payment. Your child support will be less than usual for this period.</p>
<b>P</b>	<p><b>Protected earnings</b></p> <p>Use this code if you're unable to deduct the full amount of child support requested from an employee's wages due to protected net earnings.</p>
<b>S</b>	<p><b>Short-term absences</b></p> <p>Use this code 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.</p>
<b>O</b>	<p><b>Other</b></p> <p>Use this code 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.</p>

### Note

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

As well as using the ceased employment code make sure to update the **employee finish date** in your employment information return and in your employee details.

## Child support deductions and employment information returns

Child support deductions are paid at the same time as you pay the PAYE and other tax deductions.

It's important your employer information returns include all deductions made each pay period, whether you pay us monthly or twice-monthly. For help completing your employment information see pages 61-69.

You must keep records of child support deducted along with your normal wage records.

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

## Employee privacy and prejudice

- You must protect the privacy of your employees paying child support.
- You must not discriminate against an employee because of their child support obligations.

You can be fined if convicted of a [privacy](#) or [prejudice](#) offence. For more information see page 77.

## Deducting arrears

We may send you a notice asking you to deduct tax and/or student loan arrears from salary or wages paid to an employee or schedular payments to a contractor.

- You're required to make the deductions requested in the notice.
- Child support payments (if applicable) must be deducted before tax or student loan arrears.
- Arrears must be paid to us by the end of each calendar month, separately from PAYE.

The deduction notice has information on how to pay these deductions to us.

**Note** Do not include deductions for arrears in your employment information return.

## Employer superannuation contributions

Employer superannuation cash contributions are paid to superannuation funds by employers, for the benefit of their employees.

If your employee is a member of a KiwiSaver scheme or a complying fund, you must:

- contribute a minimum of 3.5% of an employee's gross salary or wage and pay this to their KiwiSaver or complying fund
- deduct employer superannuation contribution tax (ESCT) from your employer contributions and pay the tax to us along with your other deductions.

For more information about employer contributions to KiwiSaver and complying funds, go to [ird.govt.nz/employer-contributions](http://ird.govt.nz/employer-contributions)

**Note** If an employee wants to contribute more than the maximum allowed to their KiwiSaver scheme, pay the additional contributions direct to Inland Revenue or the scheme provider instead of using the PAYE system.

There are 2 options for calculating and deducting ESCT on employer contributions.

### Option 1 - calculating ESCT

The rate used to calculate ESCT is based on your employee's total annual salary or wages plus gross employer contributions for the previous tax year (1 April to 31 March).

Employee's annual income thresholds	ESCT rate	Note
\$0 - \$18,720	10.5%	You can choose to apply ESCT at the flat rate of 39% if you're paying into a defined benefit fund.
\$18,721 - \$64,200	17.5%	
\$64,201 - \$93,720	30.0%	
\$93,721 - \$216,000	33.0%	
\$216,001 upwards	39.0%	

Work out the ESCT rate for each employee at the start of the tax year (1 April). Do not change the ESCT rate if an employee's salary or wage changes during the tax year. Change it at the start of the next tax year.

	<p><b>30.0% ESCT rate</b></p> <p>Josh's annual salary plus employer superannuation contributions is \$80,000. His ESCT rate is 30.0%.</p>		<p><b>17.5% ESCT rate</b></p> <p>Bree's annual salary plus employer superannuation contributions is \$53,000. Her ESCT rate is 17.5%.</p>
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**Note** ESCT is calculated on whole dollars and deducted from the gross employer contribution. Deductions are paid to us at the same time you make your employer contribution to the fund.

## New employees

If an employee has not worked for you for the whole of the previous year (1 April to 31 March), you must estimate the total annual salary or wages plus gross employer contributions they will receive in the tax year ESCT is being calculated for. The rate is based on this estimate.



### New employee example

Matthew started a new job with Ray's Transport Ltd on 1 August 2025. His contract includes a \$70,000 salary and employer superannuation contributions of 3.5%. Matthew is paid monthly.

Ray's Transport Ltd needs to work out the right ESCT rate to use.

- Work out the annual salary plus 3.5% employer contribution:

Annual salary	\$ 70,000
Annual employer contribution (3.5% of \$70,000)	\$ 2,450
Total salary plus employer contribution	\$ 72,450

- Calculate how much Matthew will earn between 1 August and 31 March to work out the ESCT rate to apply:

\$72,450 ÷ 12 months =	\$ 6,037.50
\$6,037.50 x 8 months (1 August to 31 March)	\$ 48,300
ESCT rate (threshold \$18,721 - \$64,200)	17.5%

- Ray's Transport Ltd calculates their employer contribution and ESCT as follows:

Monthly employer contribution (\$2,450 ÷ 12)	\$ 204.17
Less ESCT deducted (\$204.17 x 17.5%)	\$ 35.73
Net employer contribution paid to Matthew's superannuation fund	\$ 168.44

### Note

When you have an employee starting part-way through the year, you must make another estimation for the next year to work out the ESCT rate on a full year's income. In the example above, Matthew's full year salary and employer contribution will be \$72,450. This is between \$64,201 and \$93,720 so the ESCT rate must be changed to 30.0% from 1 April 2026.

For more help go to [ird.govt.nz/esct](https://ird.govt.nz/esct) – What ESCT rate should I use for my employee

## Set percentage of employer contributions

You may have an employment agreement where you must contribute a set percentage of an employee's salary. You will need to gross up the employer contribution, so the employee receives their full entitlement. The grossed-up contribution is the actual amount paid to the fund, plus the amount of ESCT worked out using the following formula:

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

- a is the ESCT rate (paid to us)
- b is the amount paid to the fund



### Grossed-up super contribution example

Albert has an agreement with his employer Sasha to pay a 5% net employer contribution to his superannuation fund. Albert's annual salary is \$70,000 and he is paid monthly. Sasha calculates the ESCT amount to be paid:

Annual salary \$70,000 x 5% = net employer contribution (b)	\$ 3,500.00
(b) \$3,500 x (a) 30% ÷ (1 - a) 70% = ESCT for year	\$ 1,500.00
Total grossed-up employer contribution for year	\$ 5,000.00
Monthly grossed-up employer contribution (\$5,000 ÷ 12)	\$ 416.66
Less monthly ESCT (\$1,500 ÷ 12)	\$ 125.00
Net monthly employer contribution paid to Albert's super fund	\$ 291.66

If you do not calculate ESCT at the time you make your contribution to the fund, ESCT is worked out on the grossed-up amount of your employer superannuation contribution.

## Option 2 – employer contributions treated as employees salary or wages

If you agree, your employee can choose all or part of your employer contribution to be included in their gross salary or wage and taxed under the PAYE rules. Employees can change back at any time.

Your employer contribution is paid into the employee's superannuation fund – they do not receive the contribution in the hand. The employer contribution is added to the employee's gross wages for the pay period and taxed based on their tax code. Employer contributions treated as salary and wages have ACC earners' levy deducted.

There are 2 ways of paying the employer contribution to the superannuation fund:



### 1. Gross amount paid to super fund and net salary or wage reduced by the amount of PAYE

Lani works at Harry's Hardware Ltd. She earns \$800 a week and has an employment agreement with her employer to contribute \$80 (10%) a week to her KiwiSaver scheme. Lani's tax code is M.

Lani has chosen to have the employer contributions included as part of her salary.

- Harry's Hardware Ltd calculates the PAYE for her salary plus employer contributions:

Gross earnings	\$ 800.00
Plus employer contribution	\$ 80.00
Total gross earnings	\$ 880.00
Less PAYE on \$880.00	\$ 148.40
Less gross employer contribution paid to KiwiSaver scheme	\$ 80.00
Lani's net pay	\$ 651.60

- Harry's Hardware Ltd enters the information in their employment information return:

Gross earnings	\$ 880.00
PAYE	\$ 148.40
Net KiwiSaver employer contributions	\$ 80.00

There is no ESCT deduction required because the employer contribution is added to Lani's gross pay and taxed as PAYE.



### 2. Net amount paid to super fund after deducting tax (PAYE less ACC earners' levy)

Harriet also works at Harry's Hardware Ltd. She earns \$800 a week and has an employment agreement with her employer to contribute \$80 (10%) a week to her KiwiSaver scheme. Harriet's tax code is M.

Gross earnings	\$ 800.00
Plus employer contribution	\$ 80.00
Total gross	\$ 880.00

- Harry's Hardware calculates the tax on \$80 less ACC earners' levy:

PAYE on \$880	\$ 148.40
Less PAYE on \$800	\$ 133.00
PAYE on \$80 employer contribution (includes ACC earners' levy)	\$ 15.40
Less ACC earners' levy (\$80 x 1.75%)	\$ 1.40
Tax on employer contribution	\$ 14.00

Employer contribution	\$ 80.00
Less tax on employer contribution	\$ 14.00
Net employer contribution paid to KiwiSaver scheme	\$ 66.00

- Harry's Hardware Ltd enters the information in their employment information return:

Gross earnings	\$880.00
PAYE (\$133.00 + \$15.40)	\$148.40
Net KiwiSaver employer contributions	\$ 66.00
Harriet's net pay	\$665.60

Because the employer contribution is added to Harriet's gross pay, there is no ESCT deduction.

#### Note

Employees must understand by classifying this amount as salary and wages it may affect Working for Families payments, independent earner tax credit entitlements, child support deductions and student loan repayments when any of these apply.

## Employer contributions and ESCT in your employment information returns

### KiwiSaver employer contribution and ESCT

If your employee is a KiwiSaver member, complete the following information in your employment information return:

- KiwiSaver employee deduction
- Net KiwiSaver employer contribution
- ESCT deduction.

### Other superannuation fund employer contribution and ESCT

If your employee's superannuation scheme is not a KiwiSaver scheme, you only include the ESCT deduction in your employer information return. Do not include the employer contribution you pay to the non-KiwiSaver superannuation fund.

## Payroll giving

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

You can choose to set up 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.

If you want to offer payroll giving, you're required to:

- complete your employment information returns electronically
- deduct the donation amount your employee requests from their salary or wage
- calculate the tax credits for each payroll donation made
- record the tax credits for payroll donations in your employment information return
- 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 donations are made through payroll giving.

For more information go to [ird.govt.nz/employer-payroll-giving](https://ird.govt.nz/employer-payroll-giving)

## Part 2 – Allowances, holiday pay and lump sum payments

### Allowances

Allowances can be taxable or tax-free, and are usually paid because 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. Include the total taxable allowances with your employees' gross wages in your employment information return.

Tax-free allowances are added to your employees' net wages (wages after PAYE) when you pay them. Include the total tax-free allowances paid in your wage records.

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.

Commonly paid allowances include:

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

If you cannot decide if an allowance is taxable, you can request a binding ruling from us. For more information go to [taxtechnical.ird.govt.nz/apply-for-rulings](https://taxtechnical.ird.govt.nz/apply-for-rulings)

### Accommodation allowance

If you provide accommodation or pay an accommodation allowance to an employee it is treated as a benefit allowance. In most situations it will be taxable. Accommodation includes board or lodging provided by or paid for by you, as well as the permanent or temporary use of a house or living premises.

If you pay an accommodation allowance or provide accommodation under a salary trade-off arrangement, this is treated as a taxable benefit allowance.

Certain 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.

### Specific location accommodation

You may choose to provide accommodation or an accommodation allowance when an employee needs to continuously work at a distant work location not within reasonable daily travelling distance of their home.

This accommodation may be exempt from tax, provided 1 of the following conditions are met:

- There's a reasonable expectation the employee's secondment will be for a period of no more than 2 years (the maximum exemption is 2 years).
- The employee is sent to work on a capital project at a distant work location for no more than 3 years (the maximum exemption period is 3 years).

#### Note

Capital projects are of limited duration with a principal purpose of the creation, enhancement or demolition of a capital asset, involving work for a client not related to the employer.



#### Non-taxable example

Esme is an Auckland based accountant. Her employer sends her to New Plymouth for 3 months to audit a client. Esme pays the hotel accommodation costs. Her employer reimburses the amount paid.

The reimbursement payment is not taxable as the work in New Plymouth was for less than 2 years.



#### Taxable example

Wiremu's job permanently moves from Wellington to Auckland. He chooses not to move his family and commutes on a weekly basis.

Wiremu's employer pays an allowance towards his Auckland accommodation costs.

The allowance is taxable as the employer expects Wiremu to work in Auckland for more than 2 years.

The exemption ends when any of the following occur:

- You pay 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 the employee will be at the distant work location for longer than the maximum applicable 2 or 3 year period.
- The employee's involvement in the secondment or project ends before the maximum time is up.

If you expect a secondment or role on a project will last a certain time length and that expectation changes, you'll need to keep clear, accurate records including when the secondment began and when the expectation changed. Evidence of the original expectation and any subsequent change may include:

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

### Accommodation for employees working in multiple workplaces

There are some circumstances where an employee must work at more than 1 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.

In these circumstances there is an exemption for employer-provided accommodation and accommodation payments, without an upper time limit, as there is a genuine ongoing additional costs.



#### Non-taxable example

Beth manages 2 offices, in Dunedin where she lives, and Christchurch. Beth works in the Dunedin office 3 days and in Christchurch for 2 days each week.

Due to the distance, it is not reasonable for Beth to travel back to Dunedin every day.

Her employer pays an allowance for the Christchurch accommodation. The allowance is not taxable under the multiple workplace rule.

### Accommodation for meetings, conferences or training course

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.

### Taxable accommodation benefit allowance

If you pay for accommodation on behalf of an employee, or pay 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.

If you provide 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.



#### Accommodation example

Market value of accommodation per week	\$ 450
Less weekly rent paid by employee	\$ 150
Accommodation benefit added to employee's weekly salary or wage	\$ 300

If the employee pays no rent, the taxable value is \$450.

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 allowances

You may 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 2 specific exemptions for meals and meal allowances paid to employees:

1. An exemption of up to 3 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.
2. Payments to cover working meals and light refreshments when working away from your business premises are exempt without any time limit.

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

A meal allowance provided under a salary trade-off arrangement is not tax exempt. It is treated as a taxable benefit allowance.

### Clothing allowance

There are 2 types of clothing payments exempt from tax:

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

Distinctive work clothing is defined as a single item of clothing:

- 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
- worn for work, and
- is not normally worn by an employee for private purposes.



### Uniforms

- Uniforms worn by nurses, armed forces, police
- Specialist clothing such as overalls, protective clothing worn for health and safety reasons

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

### Note

These rules do not affect the existing exemptions applying to overtime meal payments, sustenance allowances and when you provide distinctive work clothing to an employee. The rules also do not apply where fringe benefit tax (FBT) is payable on meals directly provided by you (for example a discount in the work canteen). The rules limiting employers' deductions of entertainment expenses also continue to apply.

## Reimbursing allowances

Reimbursing allowances are payments made to employees to compensate them for expenses they incur while doing their job, for example, kilometre 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.

### Reimbursing payments qualifying for the fringe benefit tax health and safety exemption

If you reimburse the amount paid by your employee for a non-cash benefit, qualifying for the fringe benefit tax health and safety exemption (for example a flu vaccination), the payment is exempt income for the employee (a non-taxable allowance). This also applies if you pay the provider on behalf of the employee.



An employer provides free on-site flu vaccinations to their employees. Jane was away on the day and had to arrange her vaccination with her own GP.

The employer reimburses Jane for the amount paid to the GP. The amount is not taxable and no FBT is payable as it meets the health and safety exemption criteria.

For more information on the health and safety exemption for fringe benefit tax read our **Fringe benefit tax guide - IR409**.

## Relocation expenses

Work-related relocation payments made to your employees are tax-free, provided they meet all 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 expenses incurred
- the expenses are incurred before the end of the tax year following the tax year the employee relocates.

Reimbursements for assets costing less than \$1,000 are also tax-free.

## Travel allowances

An 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
- 1 or more special circumstances apply.

## Special circumstances

Special circumstances are where the employee:

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

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



### When the full travel allowance is taxable

Joe introduces a night shift. He decides to pay \$10 travel allowance to compensate his staff each time they are rostered on a night shift.

For 3 of his employees there's no additional transport cost because their usual transport options during the day can also be used for the night shift. The full travel allowance Joe pays to each of these 3 employees is taxable.



### When some of a travel allowance is tax-free

Greta also works for Joe. She normally travels by bus to work costing \$6 during the day shift. On the night shift, there's no bus service so Greta travels 22 km by private car. Joe pays Greta a travel allowance of \$25.74 for each night shift worked.

Cost to travel by car (petrol) – 22 km x \$1.17 (kilometre rate*)	\$ 25.74
Less usual travel cost by bus – taxable amount	\$ 6.00
Additional cost of travel – tax free amount	\$ 19.74

\* Inland Revenue kilometre rate for 2025 is \$1.17 per km for the business portion of the first 14,000 km. For the latest kilometre rates and more information go to [ird.govt.nz/vehicle-expenses](http://ird.govt.nz/vehicle-expenses)

### When all the travel allowance is tax-free

If Joe pays Greta the same travel allowance of \$10 per night shift as his other 3 employees, the full \$10.00 is tax-free as it is less than \$19.74 (the additional cost to the employee).

## No adequate public transport

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

If there is a combination of any of the special circumstances and there's no adequate public transport, you will need to choose a calculation method to use.



### Example – no public transport

Jing travels 22 km by private car between home and work each day as there is no public transport.

Daily cost of travel 22 km x \$1.17 per km	\$ 25.74
Less taxable amount \$5.00 per day	\$ 5.00
Additional transport costs – tax-free amount	\$ 20.74



### Example – not a usual transport cost

Griff is a paramedic working in a medical centre. They're called out at night to a car accident, travelling 57 km return in their private car. This is not usual travel for Griff.

Cost of travel 57 km x \$1.17 per km	\$ 66.69
Less usual travel costs	\$ 0.00
<b>Additional transport costs (tax-free amount)</b>	<b>\$ 66.69</b>

Griff's employer pays \$66.69 as a tax-free allowance to reimburse him for the additional transport costs.

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 1 employee's car, you must calculate the non-taxable amount. This amount is based on either the average expenses of each individual or the average expenses of the group of employees.

## Taxing benefit allowances

Allowances paid in addition to salary or wages, benefiting the employee are taxable. The 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.

The taxable value of the benefit is added to the employee's wages each pay period, and PAYE is deducted from the total.

### Note

Add the taxable amount to your employee's gross pay and work out PAYE on the total. The tax-free amount is added to the employees net take home pay.

## GST on allowances

If you're registered for GST, you can claim a business expense for reimbursing an employee's actual expenses if these relate to running your business.

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

You cannot claim GST when:

- the allowance does not reimburse the employee's actual expenses incurred on your behalf, or
- you pay an allowance to meet the employee's private expenses.

## Holiday pay

Holiday pay and statutory holiday pays are included as earnings in the period you pay them.

You can calculate PAYE for holiday pay as either:

- standard salary or wages, or
- as an extra pay.

### Note

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

## Holiday pay treated as standard salary or wages

Holiday pay is treated as salary or wages if it is:

- included in the employee's regular pay at 8% of the employee's gross pay or
- linked to the workdays within the pay period (such as not working but being paid for a public holiday or annual leave).

## Holiday pay treated as an extra pay (lump sum)

Holiday pay paid in addition to the regular pay for the pay period is treated as an extra pay. These are payments not normally paid in the pay period, such as when accumulated leave is paid out at the end of employment.

## Holiday pay paid in advance (lump sum)

If you pay your employee annual leave in a lump sum before the leave is taken, you can choose to calculate tax as:

- an extra pay, or
- use the alternative approach if the lump sum is paid to the employee in their regular pay cycle over the pay periods their holiday covers.

### Note

For more information on how to calculate PAYE on holiday pay as an extra pay, [Lump sum payments \(extra pays\)](#) - see page 37.

## Alternative approach for calculating PAYE on holiday pay

This calculation also applies to lump sum payments of salary/wages in advance. To calculate PAYE using the alternative approach you need to:

- apportion the lump sum payment across the pay periods the payment relates to
- calculate PAYE on each apportioned amount as if they were the only payments made to the employee in each pay period
- add PAYE amounts together and deduct the amount from the lump sum payment.

A more complex PAYE calculation may be needed if the whole pay period is not taken as annual leave, and the annual leave is 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 rest of the period.

PAYE is calculated by:

- adding together the amount of the holiday pay and the regular salary/wages for the pay period,
- calculate PAYE on the total as a single payment, this is the total PAYE payable for the pay period, and
- subtract the PAYE deducted from the amount of the holiday pay apportioned to the pay period from the amount of PAYE calculated in the previous step.

This is the amount of PAYE to be deducted from the payment of salary/wages.



### Holiday pay and normal pay in same period

Kim is taking 3 weeks annual leave and asks her employer Dan to pay the holiday pay in a lump sum before the leave is taken. Dan agrees and calculates PAYE using the alternative approach.

Kim is paid fortnightly and uses the M tax code. Regular fortnightly pay is \$1,492.00. 3 weeks holiday pay is \$2,238.00.

The holiday pay covers 3 weeks across 2 fortnightly pay periods. Kim is back at work in the last week of the 2<sup>nd</sup> fortnight.

- Dan apportions the holiday pay across Kim’s pay periods and calculates the PAYE using the alternate approach:

	Holiday pay	PAYE
Weeks 1 and 2 holiday pay (fortnight 1)	\$ 1,492.00	\$ 245.20
Week 3 holiday pay (fortnight 2)	\$ 746.00	\$ 101.60
Totals	\$ 2,238.00	\$ 346.80

- Dan calculates the PAYE to deduct for the week Kim worked in fortnight 2:

	Holiday pay	PAYE
Week 3 holiday pay (fortnight 2)	\$ 746.00	
Plus 1 weeks normal pay (fortnight 2)	\$ 746.00	
Total for fortnight 2	\$ 1,492.00	\$ 245.20
Less PAYE calculated for week 3 holiday pay		\$ 101.60
Total PAYE for the week Kim worked		\$ 143.60

- Dan deducts \$143.00 from Kim’s pay for the week she worked after her annual leave ended.

#### Note

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

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

You can use our online [PAYE calculator](#) to calculate tax on holiday pay when it is treated as salary or wages or use our [PAYE tables IR340 or IR341](#). Go to [ird.govt.nz/forms-guides](http://ird.govt.nz/forms-guides)

## Lump sum payments (extra pays), including redundancy

Lump sum payments, also called extra pays include:

### Types of lump sum payments

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• annual bonuses</li> <li>• special bonuses</li> <li>• retiring payments</li> <li>• redundancy payments</li> <li>• back pay</li> </ul> | <ul style="list-style-type: none"> <li>• holiday pay paid in addition to the regular pay for the pay period*</li> <li>• exit inducement payments</li> <li>• gratuities</li> <li>• payments for accepting restrictive covenants</li> <li>• employee share scheme benefits</li> </ul> |
|---|---|

#### Note

\* You can choose how you calculate an employee’s tax on holiday pay paid before they take their leave as:

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

For more information about paying [holiday pay](#) as part of an employee’s regular pay cycle, go to page 35.

Overtime or any regular payments are not lump sum payments.

You cannot use our PAYE calculator to work out how much tax to deduct from lump sum payments. How you work out the tax to deduct depends on the circumstances of the lump sum payment.

## KiwiSaver deductions, employer contributions and ESCT on lump sum payments

Unless the lump sum payment is for redundancy, deduct and pay employee KiwiSaver deductions, net employer contributions and ESCT as usual.

### In this section:

- [Paying more than 1 lump sum payment in the same pay period](#)
- [Employees on non-notified rate and non-resident seasonal workers](#)
- [Lump sum payments for main employment tax codes](#)
- [Lump sum payments for secondary employment tax codes](#)
- [Student loan deductions from lump sum payments](#)
- [Paying a net lump sum](#)
- [Restrictive covenant and exit inducement lump sum payments](#)
- [Redundancy and retiring payments](#)
- [Employee share scheme \(ESS\) benefits](#)
- [Regular bonuses](#)
- [Employment information return details](#)

## Paying more than 1 lump sum payment in the same pay period

If you're paying an employee more than 1 lump sum in the same pay period, add the amounts together and deduct the PAYE on the total.



### 2 lump sum payments – same pay period

Jill is receiving a lump sum payment for the project she just completed and her annual bonus in the same pay period.

Jack calculates the PAYE on the total amount and adds this to the PAYE from her normal pay.

### Note

If you are paying a lump sum payment that also includes an amount relating to end of employment, the calculation requires you to use the gross earnings from their last 2 pay periods, not the last 4 weeks' pay. Follow step 1 for [Lump sum paid when an employee ends employment](#).

## Employees on non-notified rate and non-resident seasonal workers

If an employee is a non-resident seasonal worker (NSW tax code) or is on the [non-notified rate](#) (ND tax code), calculate PAYE on an extra pay using the flat rate that applies to their tax code:

- for the NSW code use 12.25%
- for the ND tax code use 46.75%.

If the lump sum payment is a redundancy or retirement payment, or the maximum ACC earners' levy threshold has been reached, tax the payment using 10.5% for NSW or 45.0% for ND.

## Lump sum payments for main employment tax codes

Main employment codes include:

Main	Main + student loan
M	M SL
ME	ME SL

### Step 1 – calculate employee’s annualised income

How you work out your employee’s annualised income depends on whether the lump sum payment is being paid when they are ending their employment with you or not.

#### Lump sum paid when an employee ends employment

- Add the amounts paid for the employee’s last 2 pay periods. Do not include the lump sum amount in this total.
- Multiply this amount based on your employee’s pay frequency:

Pay frequency	Multiply by
Weekly	26
Fortnightly	13
4-weekly	6.5
Monthly	6

#### For all other lump sum payments

- Add up the employee’s pay for the last 4 weeks ending on the date of the lump sum payment. Do not include the lump sum payment in this total.
- Multiply this amount by 13 for weekly, fortnightly or 4-weekly pay periods or 12 for monthly pay periods.

### Step 2 – annualised income plus lump sum amount

Add the **annualised income** to the **lump sum amount**. The total is used to work out the **income threshold** and **PAYE rate** to calculate the amount to deduct from the lump sum payment.

### Step 3 – select the PAYE rate

Based on the total calculated in step 2 choose the **PAYE rate** either including or excluding ACC earners’ levy to apply to the lump sum amount.

ACC earners’ levy does not apply:

- to redundancy or retiring payments
- to employee share scheme(ESS) benefits
- where the annualised income plus extra pay amount is more than \$156,641.

Use the PAYE rate excluding earners’ levy for these payments. In all other situations, please use the PAYE rate including earners’ levy.

Make sure you use the correct income threshold and rate when calculating the amount to deduct from a lump sum payment. If you get this wrong, your employee may end up with a tax bill later.

Income threshold	PAYE rate including earners' levy	PAYE rate excluding earners' levy
\$0 – \$15,600	12.25%	10.50%
\$15,601 – \$53,500	19.25%	17.50%
\$53,501 – \$78,100	31.75%	30.00%
\$78,101 – \$156,641 *	34.75%	33.00%
\$156,642 – \$180,000	33.00%	33.00%
\$180,001 upwards	39.00%	39.00%

\*Maximum amount ACC earners' levy applies to is \$156,641. ACC earners' levy maximum changes each year. For the latest rate go to [ird.govt.nz/acclevy](http://ird.govt.nz/acclevy)



#### Employee ending employment

Employer Georgie is paying a \$400 lump sum payment to Tama who is ending his employment. The payment is not a redundancy or retirement lump sum.

For Tama's last 2 pay periods he received 2 pays of \$1,000 each, a total of \$2,000.

\$2,000 x 26 = annualised income	\$ 52,000.00
Plus bonus amount	\$ 400.00
Total	\$ 52,400.00

The total is between \$15,601 and \$53,500 so Georgie uses 19.25% PAYE rate including earners' levy

\$400 x 19.25% = PAYE to deduct from lump sum payment	\$ 77.00
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#### Employee not ending employment

Employer Charlie is paying a \$1,000 bonus lump sum payment to Heidi.

Heidi's received \$6,150 in total from her last 4 weeks' pay.

\$6,150 x 13 = annualised income	\$ 79,950.00
Plus bonus lump sum amount	\$ 1,000.00
Total	\$ 80,950.00

The total is between \$78,101 and \$156,641 so the PAYE rate is 34.75% (including earners' levy)

\$1,000 x 34.75% = PAYE to deduct from lump sum payment	\$ 347.50
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#### Note

An employee may ask you to tax their lump sum payment at a higher rate because they have another job or other income such as rent. You can use the rate they request if it is higher.

Student loan repayments and KiwiSaver deductions should be made from lump sum payments when these apply to the employee:

- KiwiSaver deductions are made at the same rate used for the employee's normal pay.
- Go to page 42 for information about making [SL deductions from lump sum payments](#).

### Lump sum payments for secondary employment tax codes

#### Step 1 – calculate annualised income

Follow [step 1 for main job lump sum payments](#)

#### Step 2 – Select the low threshold based on employee's secondary tax code

The calculation for lump sum payments for employees using secondary tax codes uses a **low threshold** to work out the rate to deduct. The low threshold is based on the secondary tax code the employee is using.

Secondary tax code	Low threshold
SB	\$ 0
S or S SL	\$ 15,601
SH or SH SL	\$ 53,501
ST or ST SL	\$ 78,101
SA or SA SL	\$ 180,001



**Low threshold**

Jane has 2 jobs. Her secondary job employer is paying Jane a bonus. Jane is using the ST tax code. The low threshold amount for ST tax code is \$78,101. Employees can choose a higher rate because they have another job or other income such as rent. You can use the rate they request if it is higher.

**Step 3 – annualised income plus low threshold plus lump sum amount**

Add the annualised income from step 1 to the low threshold at step 2 and the lump sum amount together. This is the **annual income estimate** used to work out the rate to apply to the lump sum payment.



**Annualised income plus low threshold, plus lump sum amount**

Jane received \$3,298 gross salary for her last 2 fortnightly pays (4 weeks) in her secondary job. Her bonus lump sum payment is \$33,000.

\$3,298 x 13 = annualised income	\$ 42,874
Plus low threshold	\$ 78,101
Plus bonus lump sum amount	\$ 33,000
<b>Annual income estimate</b>	<b>\$153,975</b>

**Step 4 – work out the PAYE rate to use**

The rate to use is based on the **annual income estimate** calculated at step 3.

**Redundancy or retirement payments (no ACC earners’ levy applies)**

Use the PAYE rates excluding ACC earners’ levy to calculate the amount to deduct.

**All other lump sum payment types**

- **Annual income estimate is \$156,641 or less**  
Use the PAYE rate including earners’ levy for the total lump sum payment.
- **Annual income estimate is more than \$156,641**  
Use the PAYE rate excluding earners’ levy for the total lump sum payment. No ACC earners’ levy applies.
- **Annualised income plus low threshold amount is less than \$156,642 but annual income estimate is more than \$156,641**  
Use the PAYE rate excluding earners’ levy for the annual income estimate above \$156,641.  
Use the PAYE rate including earners’ levy for the rest of the lump sum bonus.



**PAYE including earners' levy on part of lump sum payment**

Jane's annual income estimate	\$ 157,826
Less ACC earners' levy maximum	\$ 156,641
<b>Amount to calculate PAYE excluding ACC earners' levy</b>	<b>\$ 1,185</b>
Total lump sum bonus	\$ 33,000
Less amount ACC earners' levy does not apply to	\$ 1,185
<b>Amount to calculate PAYE including ACC earners' levy</b>	<b>\$ 31,815</b>

**Step 6 – calculate the tax and/or PAYE (including or excluding ACC earners' levy)**

Annual income estimate	PAYE rate including earners' levy	PAYE rate excluding earners' levy
\$0 – \$15,600	12.25%	10.50%
\$15,601 – \$53,500	19.25%	17.50%
\$53,501 – \$78,100	31.75%	30.00%
\$78,101 – \$156,641 *	34.75%	33.00%
\$156,642 – \$180,000	33.00%	33.00%
\$180,001 upwards	39.00%	39.00%

\* Maximum amount ACC earners' levy applies to is \$156,641.



**Calculate the PAYE deduction**  
Jane's annual income estimate is between \$156,641 and \$180,000.

\$1,185 x PAYE rate excluding earners' levy 33.0%	\$ 391.05
\$31,815 x PAYE including earners' levy 34.75%	\$ 11,055.72
<b>Total deduction required from bonus</b>	<b>\$ 11,446.77</b>

**Student loan deductions from lump sum payments**

If your employee has a student loan, you must make a student loan deduction from the lump sum payment.

**Student loan deductions for lump sums – employees using main job tax codes**

- Employees gross pay plus taxable allowances plus gross lump sum amount = total gross pay for the pay period
- Less the [pay period threshold](#)
- Multiply the balance by 12% to get the repayment amount and deduct this from the from the total gross pay.



**Student loan deduction from lump sum payment – M SL tax code**  
Rama's employer is paying her a lump sum of \$10,100. Fortnightly pay is \$1,700. Rama also has a taxable allowance of \$100.

Total gross pay for the pay period \$1,700 + \$100 + \$10,100	\$ 11,900.00
Less fortnightly repayment threshold	\$ 928.00
Total used to work out student loan repayment	\$ 10,972.00
Student loan deduction \$10,972 x 12%	\$ 1,316.64

**Student loan deductions for lump sums – employees using secondary tax codes**

- Employees gross pay plus taxable allowance plus gross lump sum = total gross pay
- Multiply total gross pay by 12% and deduct this amount from the employee's total gross pay.

**Paying a net lump sum**

You may want to pay an employee a net lump sum amount. To do this, you must calculate the gross amount to include in your wage records and the amount deducted for PAYE.

The basis for working out the gross payment uses the employee's tax code:



#### Net bonus – tax code M

Stevie's employer is paying a net bonus of \$200. Stevie's annual income is \$47,000. The PAYE rate based on the M tax code is 19.25%.

Deduct 19.25% from \$1.00 ( $\$1 - 19.25\% = 0.8075$ )

$\$200.00 \div 0.8075 =$ gross bonus	\$ 247.67
Less PAYE $\$247.67 \times 19.25\%$	\$ 47.67
Net bonus	\$ 200.00



#### Net bonus – tax code M SL

Freya's employer is paying a net bonus of \$200. Freya's annual income is \$47,000. The PAYE rate is 19.25% plus student loan deduction rate 12.0%. Total rate of 31.25% based on the M SL tax code.

Deduct 31.25% from \$1.00 ( $\$1 - 31.25\% = 0.6875$ )

$\$200.00 \div 0.6875 =$ gross bonus	\$ 290.90
Less PAYE $\$290.90 \times 19.25\%$	\$ 55.99
Less student loan deduction $\$290.90 \times 12.0\%$	\$ 34.91
Net bonus	\$ 200.00

## Restrictive covenant and exit inducement lump sum payments

**Restrictive covenant payments** are made in return for a person agreeing to restrict their ability to perform services. This includes payments to employees when 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 a restrictive covenant with a wholly owned company and then sells the shares in that company to their employer.

**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.

PAYE must be deducted from these payment types.

To calculate the amount to deduct, follow the instruction for [lump sum payments for main tax codes](#) on page 39 or [lump sums for secondary tax codes](#) on page 41.

## Redundancy and retiring payments

For both redundancy and retiring payments, the person's employment must be terminated. If employment is not terminated, PAYE (including ACC earners' levy) must be deducted.

Employment is not terminated if the employee:

- is still employed by a company 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 the employee continues to work under a contract of employment with substantially the same employer.

Redundancy or retiring payments do not include payments:

- for accumulated annual leave, long- service leave and sick leave.
- made because of a merger, takeover, amalgamation or reconstruction between 2 parties if:
  - the employee is rehired by any party to the transaction within 6 months of termination of employment, and
  - the employee's new job is substantially the same kind of employment they had before.

**Note**

Substantially the same kind of employment means doing the same type of work. For example, similar duties, conditions of employment and job description.

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.

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

These types of payments have PAYE including ACC earners' levy.

### Redundancy payments

Redundancy payments are different to retiring payments. The decision to terminate employment is the employers. 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).

A severance payment may also be a redundancy payment if it is made:

- to a permanent employee when a specific job or project is finished and
- the position of the employee has been fully terminated, and
- the position is no longer required by the employer.

If the employee stays working with the same employer on another job or project, it is not a redundancy payment.

### Retiring payments

These are made to an employee on retirement. The employment must be fully terminated for 1 of these reasons:

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

Retiring payments have PAYE excluding ACC earners' levy deducted.

**Note**

Retirement is not based on the age of the employee.

### Calculating PAYE for redundancy and retiring payments

To calculate the amount to deduct (PAYE with no ACC earners' levy) for redundancy and retiring payments, follow the instruction for [lump sum payments for main tax codes](#) on page 39 or [lump sums for secondary tax codes](#) on page 41.

### Completing employment information for redundancy or retiring payments

- **Gross earnings and/or schedular payments** – include all taxable earnings plus the redundancy or retiring payment
- **Earnings and/or schedular payments not liable for ACC earners' levy** – enter the redundancy or retiring payment amount.

## Employee share scheme (ESS) benefits

In some situations, you must deduct PAYE from employee share scheme (ESS) benefits. In other situations, you can choose whether to deduct PAYE or not.

Your obligation to deduct PAYE depends on whether the ESS benefit is provided in shares or in cash.

You must include the value of an ESS benefit provided to an employee in your employment information returns, even if you do not deduct tax from it. If you have not included the employment information about an ESS benefit, regardless of whether the employee includes the ESS income in their income tax return, it is considered a tax shortfall to the employer and shortfall penalties may be imposed.

### Share scheme taxing date

The share scheme taxing date is the date that the value of an ESS benefit is calculated. It is the earlier of the following dates:

- The date the employee (or associate) beneficially holds the shares and there are no conditions or protections under the scheme that would defer the taxing date (see Example 1 and Example 2).
- The date the shares or share rights are cancelled or are transferred to a non-associated person.

If the shares are designated to be employee deferred shares, the share scheme taxing date will be the “liquidity event date.” (See Employee deferred shares below at page 47)

#### Example 1

Acme Limited (Acme) transfers shares worth \$10,000 to a trust to hold for their employee, Alice. Alice receives the shares from the trust only if she stays employed by Acme for at least 3 years. She receives no benefit from or ownership of the shares if she leaves before then. As the risk that Alice will leave the employment of Acme within the 3 years is material the share scheme taxing date is the date that Alice reaches 3 years employment with Acme.

#### Example 2

Acme Limited transfers shares worth \$10,000 to a trust to hold for their employee, Bob. Bob receives the shares 3 years after they are transferred to the trust if he is not dismissed for serious misconduct in this time. Bob will still be entitled to the shares if he ceases employment within 3 years if the employment is not ceased due to serious misconduct. The share scheme taxing date is the date the shares are transferred to the trust as there is no material risk that Bob will lose his entitlement to the shares.

### Value of ESS benefits

The value of an ESS benefit is generally equal to the market value of the shares on the share scheme taxing date less any amount paid for the rights or shares. However, if rights or shares are cancelled or transferred to a non-associated person, it is the amount received for the cancellation or transfer, less any amount paid for the rights or shares.

See above for the definition of the share scheme taxing date.

An ESS benefit is treated as received by the employee or shareholder-employee 20 days after the share scheme taxing date, which is referred to as the ESS deferral date. However, for former employees who receive an ESS benefit in shares with no tax withheld, the benefit is received on the share scheme taxing date.

If the ESS benefit relates to a time when the employee was not in NZ then special rules may apply to the calculation of the value of the ESS benefit.

### ESS cash benefit

ESS benefits are usually provided in shares. However, if the share scheme taxing date is triggered by the cancellation or transfer of shares or share rights, and you've paid the employee cash instead, then the benefit is a cash-settled ESS benefit.

A cash-settled ESS benefit is a lump sum payment and tax must be deducted.

For more information about cash-settled ESS benefits, go to [taxtechnical.ird.govt.nz/interpretation-statements/2024/is-24-05](https://taxtechnical.ird.govt.nz/interpretation-statements/2024/is-24-05)

## ESS share benefit

If an ESS benefit is provided in shares, you can choose whether to deduct PAYE or not.

Because a share benefit is not paid in cash, if you choose to deduct PAYE you might also agree to fund the tax cost (and student loan deduction if applicable) for the employee. If you choose to do this, any amount you fund is treated as income to the employee. It is not part of the value of the ESS benefit. Treat it as a separate lump sum payment.

For more information about funding the tax cost on an ESS share benefit, go to [taxtechnical.ird.govt.nz/interpretation-statements/2024/is-24-06](https://taxtechnical.ird.govt.nz/interpretation-statements/2024/is-24-06)

### Note

If you do not deduct PAYE on a share-settled benefit, then the employee pays the tax through the end-of-year tax process (and provisional tax if it applies). You should let your employee know they'll have to pay tax on their ESS benefit.

## Calculating PAYE to deduct from ESS

Use the employee's tax code to calculate PAYE (there is no separate ESS tax code option) and follow the steps:

- for [lump sum payments for main employment tax codes](#) page 39
- for [lump sum payments for secondary employment tax codes](#) page 41
- if your employee has a student loan, for [student loan deductions from lump sum payments](#) page 42.

### Note

ACC earners' levy and KiwiSaver deductions do not apply to ESS benefits.

## ESS benefits in your employment information returns

Whether you deduct PAYE or not, you must include ESS benefits in your employment information return. ESS benefits are included in the:

- employee share scheme earnings field and
- earnings not liable for ACC earners' levy field.

Do not include ESS benefits in the gross earnings field.

### Note

You do not need to include ESS benefits to a former employee if the benefit is provided in shares and you have chosen not to deduct PAYE. We recommend you let the employee know to include the value of their ESS benefit in their income tax return – IR3 themselves and that they may have to pay tax on the shares.

Employers must report the value of an ESS benefit to Inland Revenue based on the 20th calendar day after the share scheme taxing date (referred to as the "ESS deferral date"). Employers can either file the information on a payday basis or twice a month.

### Option 1 – payday filing

Include the ESS details in your employment information return:

- filing electronically – within 2 working days of the ESS deferral date
- filing by paper – within 10 working days of the ESS deferral date.

### Option 2 – twice monthly filing

If the ESS deferral date is between:

- 1st and 15th of the month, treat the 15th as the pay day
- 16th and the end of a month, treat the last day of the month as the pay day.



Salma's employer provides an ESS benefit on 14 July. The 20th day after Salma receives the benefit is 3 August (between 1 and 15 August). The employer has 2 options to include the ESS value in their employment information return:

- within 2 working days of 3 August
- within 2 working days of 15 August.

## More information about ESS benefits

For more information about ESS benefits go to [ird.govt.nz/ess](https://ird.govt.nz/ess)

## Employee deferred shares

From 1 April 2026, unlisted companies can elect to designate shares as employee deferred shares which will defer the tax liability for employees who receive shares or share options under an Employee Share Scheme (ESS). The share scheme taxing date does not occur for shares designated as employee deferred shares until the earliest "liquidity event date". The liquidity event date is when either the company is listed on a stock exchange, or the employee deferred shares are sold or transferred, or cancelled. If there is a restriction that prevents disposal of the employee deferred shares, the liquidity event date will be the date the restriction ends.

To elect for a deferral, you need to:

- Clearly inform employees that their shares are designated as 'employee deferred shares' or tax-deferred
- Send a web message to us via my IR within 20 days (or a later date allowed by the Commissioner) of an issuing employee deferred shares, including the subject "Deferred employee share scheme" and the employee's name, IRD number, date and number of shares issued.

When the liquidity event date happens, include the ESS income for employees in your employment information return on the 20th day after the liquidity event date.

### Note

An employer can elect to treat only some of their employees and not others as having received employee deferred shares in the same issuance.

## More information about employee deferred ESS benefits

For more information about employee deferred ESS benefits go to [ird.govt.nz/tax-ess](https://ird.govt.nz/tax-ess)

## Exempt ESS

Benefits under an exempt ESS are not taxable. Do not include these in your employment information return.

## More information about exempt ESS benefits

For more information about exempt ESS benefits and reporting requirements, go to [ird.govt.nz/exempt-ess](https://ird.govt.nz/exempt-ess)

## Completing the Employment Information return (IR348)

An employer must include the value of ESS benefits on the employment information return (IR 348) on the 20th calendar day after the share scheme taxing date, even if no tax is withheld. If PAYE is deducted for ESS benefits provided for former employees then this must also be included in IR 348 return.

If you have not provided the required employment information about an ESS benefit in the IR348 return, it is considered a tax shortfall by the employer and shortfall penalties may be imposed regardless of whether the employee includes the ESS income in their income tax return.

The value of the ESS benefit is included in the following fields:

- Employee share scheme earnings
- Earnings not liable for ACC earners' levy

Refer to Option 1 and Option 2 on page 46 for more information.

## Deductions

From 1 April 2026 the employer may be able to deduct expenditure or loss in relation to ESS benefits on the share scheme taxing date. Transitional rules apply in respect of an employee share scheme that is part of a merger or acquisition transaction for which the person entered a binding contract before this law change. This is to allow a deduction if the share scheme taxing date retrospectively occurs in a prior income year.



The total bonus is added to the employee's normal pay – this is the total gross earnings for the pay period to include in your employment information return along with the total PAYE calculated in step 6.



### Bonus covering more than 1 month

Patrick's tax code is M and earns a gross fortnightly salary of \$3,600. The employer pays a 3-monthly bonus of \$720. Patrick has 2 fortnightly pays in the same month.

1	Bonus $\$720 \div 3$	\$	240.00	
2	Total gross monthly pay ( $\$3,600 \times 2$ fortnights)	\$	7,200.00	
	PAYE on monthly gross \$7,200	\$	1,658.45	
3	$\$7,200 + \$240$	\$	7,440.00	
	PAYE on \$7,440	\$	1,741.82	
4	Monthly bonus PAYE (step 3 $\$1,741.82$ minus step 2 $\$1,658.45$ )	\$	83.37	
5	Total bonus PAYE (step 4 $\$83.37 \times 3$ )	\$	250.11	
6	PAYE on normal fortnightly pay \$3,600	\$	861.66	
	Plus PAYE on total bonus (step 5)	\$	250.11	
	<b>Total PAYE deduction in fortnight bonus is paid</b>	\$	<b>1,111.77</b>	
		<b>Gross amount</b>	<b>Less PAYE</b>	
		<b>Net pay</b>		
	Fortnightly pay	\$ 3,600.00	\$ 861.66	\$ 2,738.34
	Bonus payment	\$ 720.00	\$ 250.11	\$ 469.89
	<b>Totals</b>	<b>\$ 4,320.00</b>	<b>\$ 1,111.77</b>	<b>\$ 3,208.23</b>

### 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.

### Employment information return details

Lump sum payments and deductions are included in your employment information returns in the pay period the lump sum is made. Add the lump sum to the gross earnings for the pay period and the PAYE on the lump sum to the PAYE for the pay period.

If the lump sum is taxed using the lowest rate, tick the lump sum payment and taxed at lowest rate box.

## Part 3 – Special types of workers and payments

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

Special worker categories	
<ul style="list-style-type: none"> <li>• <a href="#">ACC loss of earnings compensation</a></li> <li>• <a href="#">Agricultural contractors</a></li> <li>• <a href="#">Casual agricultural workers</a></li> <li>• <a href="#">Commission agents</a></li> <li>• <a href="#">Company directors</a></li> <li>• <a href="#">Drivers and musterers</a></li> <li>• <a href="#">Election-day workers</a></li> <li>• <a href="#">Fishing boat workers</a></li> <li>• <a href="#">Foreign fishing vessel workers</a></li> <li>• <a href="#">Honoraria</a></li> <li>• <a href="#">IR56 worker</a></li> <li>• <a href="#">Jockeys and trotting drivers</a></li> <li>• <a href="#">Labour-only contract workers in the building industry</a></li> <li>• <a href="#">Life insurance and personal accident premiums</a></li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Musicians, dance bands and orchestras</a></li> <li>• <a href="#">Non-residents</a></li> <li>• <a href="#">Partners in a partnership</a></li> <li>• <a href="#">Piece-workers and outworkers</a></li> <li>• <a href="#">Prize money paid at sporting events and competitions</a></li> <li>• <a href="#">Recognised seasonal workers</a></li> <li>• <a href="#">Shareholder-employees in close companies</a></li> <li>• <a href="#">Shearers, shearing shed hands and shearing contractors</a></li> <li>• <a href="#">Spouse or partner</a></li> <li>• <a href="#">Subsidised workers</a></li> <li>• <a href="#">Television and screen production industry workers</a></li> <li>• <a href="#">Workers engaged in activity in the community projects</a></li> <li>• <a href="#">Working owners of a look-through company</a></li> </ul>

### Important notes for contractors receiving schedular payments

- For contractors receiving schedular payments, use the standard rate for their activity or the rate given on their IR330C, provided they meet the [minimum rate](#) and criteria – see page 16.
- If you have not been given a tax rate notification (IR330C), deduct tax using the [non-notified rate](#) – see page 13.
- Do not deduct tax if the contractor has a current [certificate of exemption – IR331](#)

### ACC loss of earnings compensation

ACC deduct PAYE on loss of earnings compensation paid by them to your employees.

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 receiving compensation, deduct PAYE on the extra payment you make using the secondary tax rates.

### Agricultural contractors

Tax code	Rate	
WT	15%	Agricultural contractors are not employees. Deduct tax using the standard rate unless any of the <a href="#">important notes</a> apply.

### Casual agricultural workers

Tax code	Rate	
CAE	19.25%	Casual agricultural workers are employees doing casual seasonal agricultural work on a day-to-day basis, for up to 3 months. PAYE is deducted at the flat rate (includes ACC earners' levy).

### Commission agents

Whether you deduct PAYE or withholding tax payments depends on if the agent is an employee receiving a salary or wage or a contractor receiving schedular payments. For more information on whether they are an [employee, or contractor receiving schedular payments](#) – see page 8. Some employees may be paid a salary and receive commission payments.

## Commission only agents

Tax code	Rate
WT	20%

For agents receiving commission only, tax the gross commission using the standard rate unless any of the [important notes](#) apply.

## Agents receiving salary plus commission

If you pay a salary or other fixed remuneration plus commission, add the gross commission to the fixed remuneration for the period it was paid in. Calculate PAYE using the employee's tax code.

## Company directors

Tax code	Rate
WT	33%

Fees paid to directors are generally schedular payments. Tax payments using the standard rate unless any of the [important notes](#) apply.

## Drovers and musterers

### Contractor drovers and musterers

Tax code	Rate
WT	15%

Deduct tax from the gross payments using the standard rate for agricultural contractors unless any of the [important notes](#) apply.

### Employees

Employees doing occasional droving and mustering work, calculate PAYE using their tax code.

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

## Election-day workers

Tax code	Rate
EDW	19.25%

Election-day workers are employed on a casual basis immediately before, on, or after polling day. They are taxed at the flat rate.

## Fishing boat workers

Fishing boat workers may be employees or contractors depending on the terms of their contract. If you're unsure if they are an [employee or contractor](#), see page 8.

### Contractor fishing boat workers

Tax code	Rate
WT	15%

Deduct tax from the gross payment using the standard rate unless any of the [important notes](#) apply.

### Employees

For employees, deduct PAYE from their wages using their tax code.

## Foreign fishing workers

Foreign fishing workers holding a work visa as foreign crew of a vessel fishing New Zealand waters are non-residents for New Zealand tax purposes. However, they must pay tax on the income paid to them while fishing in New Zealand waters.

Tax code	Rate
NSW	12.25%

PAYE is deducted at the flat rate (includes ACC earners' levy).

You may also need to make child support deductions – we will send you a notice if these are required.

### Note

Do not make deductions for student loans or KiwiSaver – foreign fishing workers are not eligible to join KiwiSaver.

## Honoraria

Tax code	Rate	Deduct tax from the gross payment using the standard rate unless any of the <a href="#">important notes</a> apply.
WT	33%	

Generally honoraria are schedular payments paid to volunteers.

### Note

If you pay honoraria to a person for volunteer activities and you also reimburse their expenses, the reimbursement is tax free. You must keep records showing how much of the payment relates to the honoraria and the reimbursement of expenses.

## Payments to school trustees

Part of an honoraria paid to school trustees for attending board meetings is treated as reimbursing expenses. No tax needs to be deducted on the first:

- \$75 per board meeting (up to a maximum of \$825 a year) paid to the board chairperson
- \$55 per board meeting (up to a maximum of \$605 a year) paid to other board members.

If you pay more than the maximum amount to a chairperson or board member, tax must be deducted on the additional payment.



### Reimbursement more than maximum

Board member Lizzie is paid \$85 per meeting. \$55 is for attending the meeting and \$30 is paid to reimburse expenses because of the distance Lizzie needs to travel each meeting.

Because the total payment is more than the maximum tax-free amount, the difference is taxable.

Total payment made to Lizzie	\$ 85.00
Less tax-free maximum	\$ 55.00
Taxable amount	\$ 30.00

\$30 is included as a schedular payment and tax must be deducted on this amount.

## Honoraria paid to employees

If you pay honoraria to your employees, treat the payment as wages and deduct PAYE.

### Note

You may need to include an allowances paid as part of a person's gross honoraria payment. To find out if all or part of an allowance should be included, or is tax-free, go to [allowances](#) on page 30.

## IR56 worker

If you're an IR56 worker, you're responsible for deducting and paying your own PAYE, not the person or organisation paying you to do the work.

You cannot be an IR56 worker if you are self-employed.

IR56 workers include:

- part-time private domestic workers, such as home helpers, attendant caregivers, nannies, gardeners and domestic odd-jobs
- embassy staff
- New Zealand-based representatives of overseas companies
- United States Antarctic program personnel
- employees paid by an employer who has not deducted PAYE.

The amount of PAYE you deduct from payments you receive is based on your tax code. You must file employment information returns within 10 working days of the end of the month and pay PAYE deductions to us by the 20th.

For more information about your obligations, go to [ird.govt.nz/register-ir56](http://ird.govt.nz/register-ir56) or read our **IR56 guide – IR356**.

## Jockeys and trotting drivers

You must deduct PAYE from wages and any riding or driving fees paid to apprentice jockeys or probationary drivers.

Tax code	Rate	
WT	15%	Deduct tax from the gross payment using the standard rate unless any of the <a href="#">important notes</a> apply.

## Labour-only workers 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.

## Life insurance and personal accident premiums

You may pay the premiums for an employee's life insurance and/or personal accident insurance. The premiums may need to be treated as salary or wage income in certain situations and PAYE must be deducted.

### 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 go to the employee (or their estate), the premiums you pay are treated as salary or wages. Include the gross premium with wages for the period the premium is paid to the insurance company and deduct PAYE on the total.
- If the proceeds of the policy are payable to you (as the employer), the premiums are not taxable to the employee. Do not deduct PAYE or record payment information on your employment information return.

### Policies payable on accident or death only

There are different tax implications for premiums you pay for life insurance, personal sickness or accident policies on behalf of an employee who is the policy beneficiary.

Life, personal sickness or accident policies taken out by:

- employer – you must pay fringe benefit tax on the premiums paid – includes group insurance policies for life, accident or medical
- employee – premiums are included as part of their salary or wage and PAYE must be deducted.

## Musicians, dance bands and orchestras

### Contractors

Tax code	Rate	
WT	20%	Musicians hired on a casual basis are usually paid schedular payments. Deduct tax from the gross payment using the standard rate unless any of the <a href="#">important notes</a> apply.

Every performer in a group must fill in an IR330C using a WT tax code.

**Note**

The leader of a large band may be in business and employ the other band members themselves. If they have a [certificate of exemption – IR331](#) you do not need to deduct tax from the payment. The band leader is the employer, and they are responsible for deducting PAYE from the other band members.

If the band is registered with us as a partnership, the partnership name and IRD number is used on the IR330C. Deduct PAYE using the WT tax code and rate from the IR330C.

**Door charges**

Door charges may be shared between the band and the business owner.

Where a band member collecting door charges is accompanied by one of your employees and you are the licensee or manager (for example, you allow or restrict entry), do not deduct tax from the door charges paid to the band.

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

**Employees**

If you're the employer of an entertainer or band:

- get a completed tax code declaration – IR330 from each entertainer and individual band member
- deduct PAYE based on their individual tax codes.

If you do not get a completed tax code, deduct PAYE using the [non-notified rate](#).

**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 must pay tax on income for personal services performed in New Zealand, and other income from New Zealand sources.

**Non-resident employer with non-resident employees working in New Zealand**

If you employ a non-resident employee working for you in New Zealand, you must deduct PAYE from their wages in the same way as for any other employee unless they have an exemption from New Zealand tax, either under a double tax agreement, as a non-resident visitor, 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.

Non-resident visitors are generally in New Zealand for up to 275 days in any 18-month period.

If you need more information, call us on 0800 377 772.

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

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 1 income year, you must apportion the PAYE to the years the income was earned.

**Non-resident contractors**

Tax code	Rate	Payments to non-resident contractors are schedular payments. Deduct tax from the gross payment using the standard rate unless any of the <a href="#">important notes</a> apply.
WT	15%	

You must deduct tax from payments to non-resident contractors unless they hold a valid certificate of exemption or are present in New Zealand for 92 days or less in any 12-month period.

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 \$15,000 or less in a 12-month period are exempt from non-resident tax. The non-resident contractor is responsible for paying their 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.

### 60-day grace period for late payment of tax

If the contractor was expected to have an exemption but it has been declined or the conditions of an exemption are breached, all payments you have made need to have tax deducted. You may have a 60-day grace period to pay the tax due without penalties being applied. For more information, go to [ird.govt.nz/apply-for-exemption-nr-contractor](https://ird.govt.nz/apply-for-exemption-nr-contractor)

### Backdated non-resident contractor exemptions

From 1 April 2024, applications for an exemption can be backdated for up to 92 days before the date the non-resident applies for the exemption.

This means that if the exemption is issued after the date of the first contract payment, the exemption can cover payments made before its issue date.

The exemption backdating does not apply to applications made before 1 April 2024. Before 1 April 2024, a non-resident contractors' tax (NRCT) exemption was only valid for payments made after the date the exemption was issued.

### Nominated taxpayer

A non-resident contractor can enter in an arrangement with a nominated New Zealand taxpayer. This allows the good compliance history of the nominated taxpayer to be used for obtaining an exemption for the non-resident contractor.

The non-resident contractor needs to provide authority for the resident nominated taxpayer to act in that capacity.

The resident nominated taxpayer then needs to advise in writing they are taking over the agreed non-resident contractors' obligations.

The nominated taxpayer will be responsible for filing for all parties included in the agreement. All parties will be jointly and severally liable for the tax payable.

### For more help

If you have any questions about how to treat non-resident contractors, contact the Non-resident Contractors Team at [nr.contractors@ird.govt.nz](mailto:nr.contractors@ird.govt.nz)

## Non-resident entertainers and professional sportspeople visiting New Zealand

Tax code	Rate	Deduct tax from the gross payment using the standard rate. Non-resident entertainers and sportspeople cannot choose a lower rate.
WT	20%	

You must get a completed **Tax rate notification for contractors - IR330C**.

**Note** If a recipient does not give you a completed IR330C you must deduct tax at the non-notified rate of 45%.

Deduct tax from payments to these non-resident 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.

Include the gross amount and the tax on your employment information return and show WT tax code for the prize recipient.

## 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 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 us.

## Piece-workers and outworkers

### Employees

If the payment is for piece-work or is based on output, and is solely for personal services, deduct PAYE as usual using the employees tax code.

If you do not pay an employee 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 for the total amount to deduct.

### Contractors

Deduct tax from schedular payments paid to a labour-only contractor in the building industry.

## Prize money paid to professionals at sporting events and competitions

You may need to include prize money paid to professional participants at amateur and professional sporting events or competitions as schedular payments and deduct withholding tax. The winnings are schedular income when the payment is part of a participant's taxable activity, and the amount is more than \$500. Prize money paid to an amateur participant is not taxable.

The \$500 threshold applies to each individual professional participant, for each separate event the participant enters.



### Individual winnings of \$500 or less

Sue and Keira are professional tennis players. They win a doubles tennis tournament with prize money of \$900. They each receive \$450. The total prize money is more than the \$500 threshold, but the amount paid to each individual player is below the threshold. No tax needs to be deducted.

### Individual winnings more than \$500

Sue also enters a singles event at the same tournament. She wins the title and is paid \$700 prize money. Tax must be deducted from \$200 only.

Sue's winnings for the tournament total \$1,150, however the doubles prize money Sue won is a separate event.

### Note

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

Tax code	Rate	
WT	20%	New Zealand residents participating in sporting events. Deduct tax from the gross payment using the standard rate unless any of the <a href="#">important notes</a> apply.

You must get a completed **Tax rate notification for contractors - IR330C**. If a recipient does not give you a completed IR330C you must deduct tax at the non-notified rate of 45%. Include the gross amount and the tax on your employment information return and show WT tax code for the prize recipient.

## Recognised seasonal workers

Recognised seasonal workers must be employed by a recognised seasonal employer, approved by the Ministry of Business, Innovation and Employment. Workers are generally employed in the horticulture and viticulture industries.

You must be registered under the recognised seasonal employer (RSE) scheme to employ recognised seasonal workers.

These employees are non-resident for New Zealand tax purposes. However, they must pay tax on their New Zealand income.

Tax code	Rate
NSW	12.25%

PAYE is deducted at the flat rate (includes ACC earners' levy).

You may also need to make child support deductions – we will send you a notice if these are required.

### Note

Do not make deductions for student loans or KiwiSaver – recognised seasonal workers are not eligible to join KiwiSaver.

The RSE scheme is administered by the Ministry of Business, Innovation and Employment. For more information go to [employment.govt.nz](http://employment.govt.nz)

## Shareholder-employees in close companies

Deduct PAYE from:

- regular salaries paid to shareholder-employees for pay periods of 1 month or less
- other payments such as allowances and lump sum payments made to shareholder-employees.

Do not deduct PAYE from irregular salary payments made to a shareholder-employee.

Include all shareholder-employee salaries where PAYE has not been deducted in the IR4 company tax return.

## Shearers, shearing shed hands and shearing contractors

### Shearers and shed hands

Tax code	Rate
CAE	19.25%

Shearers and shearing shed hands are employees and have PAYE (including ACC earners' levy) deducted at the flat rate using CAE tax code.

### Combined farming and shearing

- If a shearer does ordinary farm work because shearing is not possible, include any wages for this work with shearing wages and use the CAE tax code and rate.
- If you employ someone for normal farm work and they also do shearing work at shearers' pay rates, treat the shearing wages as part of their normal pay for the pay period. Calculate the PAYE as normal. Do not use the CAE rate for shearers and shearing 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

There are several different situations for shearing contractors and shearing gangs working for you.

#### You pay a contractor who employs the shearers

The contractor is responsible for deducting PAYE from their employees' earnings. You may need to deduct PAYE in some situations:

Situation	What you need to do
The contractor shows you a current certificate of exemption – IR331	Do not deduct PAYE. Pay the full contract price to the contractor.

The contractor does not have a current certificate of exemption IR331	<ul style="list-style-type: none"> <li>You must get an IR330C from the contractor and deduct PAYE from the full contract price using the WT tax code agricultural contractor rate.</li> <li>If you do not get a fully completed IR330C, deduct PAYE on the full contract price at the non-notified rate.</li> </ul>
The contractor shows you a current tailored tax rate certificate	Deduct tax on the full contract price using the rate on the tailored tax code certificate.

### You employ the shearers

If you pay the wages of the contractor's employees, or employ open-shed shearers or shed hands and pay schedular payments to the contractor:

Situation	Action to take
Employees	<p>You must get a completed tax code IR330 from each employee.</p> <ul style="list-style-type: none"> <li>IR330 completed correctly, deduct PAYE using the CAE tax code and rate for casual agricultural workers.</li> <li>If you do not get a correctly completed IR330, deduct PAYE at the non-notified rate</li> </ul>
Contractor	<p>You must get a completed IR330C from the contractor</p> <ul style="list-style-type: none"> <li>IR330C completed correctly, deduct PAYE using the WT tax code and agricultural contractor rate.</li> <li>If the contractor shows you a current certificate of exemption IR331, pay the contractor the contract price less the wages you pay to the employees. Do not deduct PAYE from this payment.</li> <li>If the contractor has a current tailored tax rate certificate, pay the contractor the contract price less the wages you pay to the employees. Deduct PAYE from this payment using the rate shown in the tailored tax rate certificate.</li> </ul>

### Contractors who pay shearers

If you're a contractor and employ shearers and shed hands:

Action to take
<p>You must get a completed tax code IR330 from each employee.</p> <ul style="list-style-type: none"> <li>IR330 completed correctly, deduct PAYE using the CAE tax code and rate for casual agricultural workers.</li> <li>If you do not get a correctly completed IR330, deduct PAYE at the non-notified rate.</li> </ul>

### Allowances paid to shearers and shed-hands

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 wage book.

### Spouse or partner

Spouse or partner includes:

- a husband or wife
- a civil union partner
- de facto partner you're living with.

A spouse or partner does not include a person you have separated from.

## Paying your partner and deducting PAYE

You may employ or contract your partner in your business. You must get a completed **Tax code declaration – IR330** if your partner is an employee or **Tax rate notification for contractors – IR330C** if your partner is a contractor receiving schedular payments.

### Deducting PAYE

If your partner is an **employee**:

- deduct PAYE using the tax code from their IR330
- with a current tailored tax code certificate, deduct PAYE using the rate on the certificate.

You may also need to make deductions for KiwiSaver, student loans, child support, pay KiwiSaver employer contributions and deduct ESCT. Student loan deductions may be different if your partner has a special deduction rate or repayment deduction exemption.

If your partner is a **contractor receiving schedular payments**:

- deduct PAYE using the activity rate and tax code WT from their IR330C, or
- with a current tailored tax rate certificate, the rate on the certificate.

If your partner is a contractor with a current certificate of exemption – IR331, you do not need to deduct PAYE from the payments.

## Claiming a tax deduction for payments to a partner

To claim payments made to your partner as a tax deduction for income tax purposes, you must apply for approval from us.

### Applying for approval to claim a deduction

Unless your business is a company, you must get approval from us to be able to claim a deduction of the wages or other payments paid to your partner for income tax purposes.

We must approve your application before you can claim a deduction. The approval cannot be backdated. This means you cannot claim any payments made to your partner as a deduction before the application is approved.

Payments to your partner must:

- be for services given while carrying on the business
- not be excessive – the rates must be the same as those you would pay to an unrelated employee for doing similar work.

### How to apply for approval

You can apply in writing by sending us a message from myIR or by letter. Your application should include the following information:

- your partner's name and IRD number
- the type of business your partner is employed or contracted in
- full details of the duties carried out by your partner and services provided
- the number of hours worked during an average week and the number of weeks worked during the year
- the hourly rate and amounts paid
- how payments are made, such as cash at regular intervals, periodically, or direct credit to their bank account
- details of any other workers employed or contracted for the same type of services, and the hourly rates and amounts paid to them.

You need to make another application if you increase the wages because 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 their tax code. PAYE and other 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 wage 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.

## Television and screen production industry workers

Television and screen production industry workers are generally resident contractors working behind the camera in television, video and film.

Tax code	Rate	Deduct tax from the gross payment using the standard rate unless any of the <a href="#">important notes</a> apply.
WT	20%	

## Taxing daily allowances

Daily allowances paid to resident and non-resident contractors and entertainers for services provided in the screen production industry in New Zealand, may need to be included in their gross income for PAYE.

- If you pay a contractor or entertainer a daily allowance when they are working away from their town of normal residence, \$60 each day is considered as expenses, and you do not need to deduct tax from this amount.
- If the daily allowance is more than \$60, deduct tax from the portion over \$60.
- If the contractor or entertainer is also provided with goods or services for the allowance paid, either by you or another party acting on your behalf, the amount considered as expenses reduces on a pro-rata basis. This is because the contractor receiving the allowance does not incur the expense.



### Daily allowance is not taxable

A film company is on location away from actor Shelly's hometown. The company pay Shelly a daily allowance of \$45. No tax needs to be deducted from the allowance as it is less than \$60 per day.

### Daily allowance is taxable

Shelly's on another film a few months later with a different company. They pay Shelly a daily allowance of \$60 and they also provide meals both on set and at other locations. Shelly does not have any meal expenses so the full \$60 is taxable. \$60 is added to the contract payment and tax of 20% is deducted.

## Workers engaged in activity in community projects

Under current benefit laws, people may choose to participate in a recognised community activity. The sponsor is the organisation providing the recognised community activity. As an employer, you may be a sponsor.

Participants in community activity projects continue to receive income support and they receive an additional allowance. If you are the sponsor, you're responsible for paying this allowance to them. You claim the allowance back from Work and Income every 4 weeks.

You are not the employer of any community work participants – you are acting as an agent of Work and Income in paying the allowance to the participant. This means the allowance is not included for GST or income tax purposes and you're not required to make any deductions from the allowance as it is not taxable. Do not include allowance payments in your employment information returns or deduct any PAYE.

## 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 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:

- 1 of your main activities is the business of arranging for a person 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 by a labour hire business to a company are also liable for 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 4 – Payday filing and paying deductions

### Note

When calculating deductions from pay, always use the rates that apply on the pay date.

It does not matter:

- when the pay period starts or ends, or
- if the pay period includes dates before and after a rate change.

If an employee is paid on or after the date a rate change takes effect, the new rate applies.

### Employment information returns

Employment information returns include details of your employee gross earnings, PAYE and other deductions, KiwiSaver employer contributions and ESCT deductions.

Payday filing means you file your employment information returns to us every time you pay your employees.

### Filing employment information returns in myIR

Electronic filing options include:

- on-screen entry in myIR
- file upload in myIR
- express file transfer in myIR
- direct from payroll software using our gateway services.

If you're using payroll software, file upload, express file transfer or gateway services, payroll software developers have our specifications and can help you buy a suitable package or upgrade your 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.

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

### Electronic filing requirement

If your gross annual PAYE is **\$50,000 or more**, you must file returns electronically, unless:

- we have approved an exemption to file paper returns
- you are a new employer – you can file by paper for the first 6 months.

Employer group	Filing method
Gross annual PAYE <b>\$50,000 or more</b>	Returns must be filed electronically in myIR unless you have an exemption to file by paper.
Gross annual PAYE <b>less than \$50,000</b>	You can choose to file electronically in myIR or by paper. If you choose to file electronically, you cannot change back to paper filing without an electronic filing exemption.
New employers	You can choose to file electronically or by paper for the first 6 months. <ul style="list-style-type: none"> <li>• If you choose to file electronically, you cannot change back to paper filing without an electronic filing exemption.</li> <li>• If you choose to file by paper and after 6 months your gross annual PAYE is \$50,000 or more after 6 months, you must change to electronic filing in myIR or apply for an exemption to keep filing paper returns.</li> </ul> We will contact you and let you know when to start filing electronic returns.

### Electronic return filing exemption

If your gross annual PAYE is more than the \$50,000 threshold, but there are reasons why you cannot file electronically, you can apply to us for an exemption. We'll look at:

- the nature and availability of digital services to you, such as the reliability of the services
- whether you can use a computer, and
- the cost to file your employment information electronically is unreasonable for your business' circumstances.

Write to us with the reasons why you cannot file electronically.

### Due dates for filing employment information returns

You must complete your employment information return with the details of your employees' gross earnings and deductions made each pay day.

The due date to file your employment information return is based on the pay day and filing method you are using.

Filing method	Due date for employment information return
Electronic	<ul style="list-style-type: none"> <li>• 2 working days after the pay day</li> <li>• if you only employ contractors on schedular payments in a pay period, the due dates options for the paper filing method apply to both electronic and paper employment information returns.</li> </ul>
Paper	<p>Filing per pay day – 10 working days following the pay day</p> <p>Filing twice a month</p> <ul style="list-style-type: none"> <li>• wages paid between 1st and 15th of the month, within 10 working days of the 15th – use the 15th for the pay day</li> <li>• wages paid between 16th and the end of the month, within 10 working days after the end of the month – use the last day of the month for the pay day.</li> </ul> <p>You must show each pay day for each employee in a separate entry in your employment information return.</p> <p>This applies to all payments made to employees including schedular payments and irregular payments to employees outside their regular pay day.</p>

For more information on electronic filing go to [ird.govt.nz/payday-filing](http://ird.govt.nz/payday-filing)

### Required employment information

The following information is required whether your filing returns electronically or by paper.

Required information	Details										
Employee name	This can be the employee's legal name or their preferred name.										
IRD number	Use the IRD number on their tax code declaration.										
Tax code	<p>Use the tax code from the employee's IR330 or IR330C.</p> <ul style="list-style-type: none"> <li>• If the employee has not provided you with their IRD number, use the tax code ND (non-notified rate).</li> <li>• If the employee has a tailored tax code or student loan special deduction rate certificate:</li> </ul> <table border="1"> <thead> <tr> <th>Certificate type</th> <th>Code</th> </tr> </thead> <tbody> <tr> <td>• Tailored tax code certificate</td> <td>STC</td> </tr> <tr> <td>• Tailored tax code and student loan special deduction rate certificate</td> <td></td> </tr> <tr> <td>Student loan special deduction rate</td> <td>Certificate tax code</td> </tr> <tr> <td>Tailored tax rate certificate for contractor schedular payments</td> <td>WT</td> </tr> </tbody> </table>	Certificate type	Code	• Tailored tax code certificate	STC	• Tailored tax code and student loan special deduction rate certificate		Student loan special deduction rate	Certificate tax code	Tailored tax rate certificate for contractor schedular payments	WT
Certificate type	Code										
• Tailored tax code certificate	STC										
• Tailored tax code and student loan special deduction rate certificate											
Student loan special deduction rate	Certificate tax code										
Tailored tax rate certificate for contractor schedular payments	WT										

Pay frequency	<b>Pay frequency</b>	<b>Code for paper returns</b>
	Weekly	WK
	Fortnightly	FT
	4-weekly	4W
	Monthly	MT
	Half-monthly	HM
	Daily	DA
	Irregular/ad-hoc	AH
<b>Employment start date</b>	Add the date the employee started working for you.	
<b>Employment finish date</b>	<ul style="list-style-type: none"> <li>• If an employee stops working for you the date is the earlier of when they finished, or the date they receive their final pay.</li> <li>• If you stop employing altogether, show the finish date for each employee on your final employment information return.</li> <li>• To <a href="#">permanently remove</a> an employee from appearing in your employment information returns, you must also add their finish date to the <b>employee</b> details in your payroll account in myIR.</li> </ul>	
<b>Pay period start date</b>	First day of the pay period.	
<b>Pay period end date</b>	Last day of the pay period.	
<b>Gross earnings/ schedular payments</b>	<p>Total gross earnings or schedular payments paid during the pay period. Include bonuses, backpay and taxable allowances. Whole dollars only.</p> <ul style="list-style-type: none"> <li>• 2 employment entries are required if you have an <b>employee with both salary or wages and schedular payments</b> in the same pay day.</li> <li>• Do not include schedular payments paid to a contractor holding a valid certificate of exemption – IR331.</li> </ul>	
<b>PAYE/schedular tax</b>	Total PAYE deductions on the gross earnings and employee share scheme earnings or withholding tax deducted on schedular payments in the pay period.	
<b>Earnings not liable for ACC earners' levy</b>	<p>The amount of any earnings not liable for ACC earners' levy:</p> <ul style="list-style-type: none"> <li>• schedular payments</li> <li>• redundancy payments</li> <li>• retiring allowances</li> <li>• employee share scheme benefits</li> <li>• pensions from schemes not registered under the Superannuation Schemes Act 1989</li> </ul>	
<b>Lump sum payment and taxed at lowest rate</b>	Tick the box if a lump sum payment is included.	
<b>Tax credits payroll donations</b>	If the employee is donating to a charity using <a href="#">payroll giving</a> , add the tax credit payroll donation amount.	
<b>Employee share scheme earnings</b>	Value of <a href="#">employee share scheme benefits</a> .	

<b>Prior period gross adjustment</b>	Used to make an adjustment to gross earnings for a previous pay period. Enter the amount of the adjustment being made.  If the adjustment is a negative amount, it can be only less than or equal to gross earnings/schedular payment for the current pay period.															
<b>Prior period PAYE adjustment</b>	Used to make adjustment to PAYE deductions for a previous pay period. Enter the amount of the adjustment being made.  If the adjustment is a negative amount, it can only be less than or equal to the PAYE/schedular tax for the current pay period.															
<b>KiwiSaver deductions</b>	Employee KiwiSaver deductions based on employee's nominated deduction percentage.															
<b>Net KiwiSaver employer contributions</b>	Your net KiwiSaver employer contributions made to employee's KiwiSaver scheme (after deducting ESCT).  Do not include employer contributions to non-KiwiSaver superannuation schemes.															
<b>ESCT deductions</b>	ESCT deductions made from KiwiSaver employer contributions or other employee superannuation schemes.															
<b>Student loan deductions</b>	Amount deducted from employee's gross earnings, based on their tax code or student loan special deduction rate certificate.															
<b>SLCIR deductions</b>	Deductions made for an employee with a SLCIR deduction notice in addition to their normal student loan deductions.															
<b>SLBOR deductions</b>	Deductions made for an employee with SLBOR deduction notice in addition to their normal student loan deductions.															
<b>Child support code</b>	If the child support deduction is different to the amount required in the deduction notice, add a code for the reason.															
	<table border="1"> <thead> <tr> <th colspan="2">Child support reason codes</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Payment in advance</td> </tr> <tr> <td>C</td> <td>Ceased employment</td> </tr> <tr> <td>D</td> <td>Previously deducted</td> </tr> <tr> <td>P</td> <td>Protected earnings</td> </tr> <tr> <td>S</td> <td>Short-term absences</td> </tr> <tr> <td>O</td> <td>Other</td> </tr> </tbody> </table>	Child support reason codes		A	Payment in advance	C	Ceased employment	D	Previously deducted	P	Protected earnings	S	Short-term absences	O	Other	See <a href="#">child support codes</a> on page 25 for more information.
Child support reason codes																
A	Payment in advance															
C	Ceased employment															
D	Previously deducted															
P	Protected earnings															
S	Short-term absences															
O	Other															
<b>Child support deductions</b>	Child support deductions made from employee's earnings for the pay period.															
<b>Net income</b>	For paper returns only. This is the employees gross earnings less deductions for PAYE, KiwiSaver, student loans and child support.															

### Paper returns

If any of the preprinted information is incorrect, cross it out and note the correct details on the form. Sign and date your employment information return – IR348.

### Employee tax code changes during the pay period

If an employee changes their tax code during the month, you must change the tax code in your employment information return and their employee details. Calculate PAYE and any other deductions using the new tax code from the date the code is changed.

If you file paper returns cross out the preprinted code and write in the replacement code.

### Employee with salary or wages and schedular payments in the same pay day

If you pay an employee **salary or wages** and **schedular payments** in the same pay day, you must have 2 individual payment entries in your employment information return. Add the employee again using the tax code for the 2nd payment:

- for salary or wages, use the tax code from their IR330 or tailored tax code certificate.
- for the schedular payment, use tax code WT.

### Completing your employment information return in myIR

Employment information returns are in your myIR payroll account.

- **Payroll account > File or upload return**
- Choose **complete online**
- Add the **pay day** (must be within the return period).

#### Step 1 – Employee information

- If this is your first employment information return, add the information for each employee.
- If this is not your first return, your existing employees are already listed.

**+ Add employee**

**Add new employees and contractors** who have started working for you during the pay day period to your employment information return or select an existing employee.

#### Personal Details

IRD number   
Tip: 022-222-222 or 222-222-222 Format: 999-999-999

Date of birth

Employee name  Required

---

#### Employee Information

Tax code  Required

Pay frequency  Required

Employment start date  Required

Hours paid  0.00

Employment finish date

Pay period start date  Required

Pay period end date  Required

**IRD number** must be completed unless the employee has not given it to you.

\* You must complete this information.

**Your next return** will list all the employees you have previously added.

**Pay start and end dates** must be added each time.

#### Add earnings information for the pay day

#### Earnings Information

Gross earnings/schedular payments <input type="text"/> <small>\$0.00</small>	Tax credit payroll donations <input type="text"/> <small>\$0.00</small>	Prior period gross adjustment <input type="text"/> <small>\$0.00</small>
PAYE/schedular tax <input type="text"/> <small>\$0.00</small>	Employee share scheme earnings <input type="text"/> <small>\$0.00</small>	Prior period PAYE adjustment <input type="text"/> <small>\$0.00</small>
Earnings not liable for ACC earners' levy <input type="text"/> <small>\$0.00</small>		

Lump sum payment and taxed at lowest rate

---

<b>KiwiSaver</b>	<b>Student Loan</b>	<b>Child Support</b>
KiwiSaver deductions <input type="text"/> <small>\$0.00</small>	Student loan deductions <input type="text"/> <small>\$0.00</small>	Child support code <input type="text"/>
Net KiwiSaver employer contributions <input type="text"/> <small>\$0.00</small>	SLCIR deductions <input type="text"/> <small>\$0.00</small>	Child support deductions <input type="text"/> <small>\$0.00</small>
ESCT deductions <input type="text"/> <small>\$0.00</small>	SLBOR deductions <input type="text"/> <small>\$0.00</small>	

**Prior period adjustments** These do not apply for a new employee you have not paid before.

They are used for existing employees where an error has been made in the gross and/or PAYE in a past pay day.

### Add employee contact information

#### Employee contact information

Daytime phone country <input type="text" value="NEW ZEALAND"/>	Mobile phone country <input type="text" value="NEW ZEALAND"/>	Email address <input type="text"/>
Daytime phone <input type="text"/>	Mobile phone number <input type="text"/>	
Daytime phone extension <input type="text"/>		

---

#### Employee address information

Provide address  
 Yes  No

Country

Attention <input type="text"/>	Street address * <input type="text" value="Required"/>	Unit type <input type="text"/>
	Suburb/rural <input type="text"/>	Unit number <input type="text"/>
	City * <input type="text" value="Required"/>	Floor type <input type="text"/>
	Post code * <input type="text" value="Required"/>	Floor # <input type="text"/>
		Building <input type="text"/>

[Verify your address](#)

ⓘ Address must be verified.

This only shows when you add a new employee.

#### Employee address information

If you do not have the information, choose no.

If you have the information choose yes.

\* You must complete this information.

You can add or change this information later (under the **employee** link from your Payroll account).

### KiwiSaver

#### KiwiSaver Information

Should the employee be automatically enrolled into KiwiSaver  
 Yes  No

Employee opted-out from KiwiSaver  
 Yes  No

Does the employee receive exempt income for KiwiSaver  
 Yes  No

This section only shows when you add a new employee.

If the employee has opted out of KiwiSaver you will need to give us their bank account details so we can refund any deductions you have made back to them.

Once you have added your employee information click **next**.

Review the details to make sure they are correct.

### Step 2 – Payment

You have the option to make a payment for the employee and ESCT deductions (if applicable). Payments can be made by credit or debit card, or by setting up a direct debit.

#### Note

Immediate payment may not be required if you are filing your employment information on time and your payment date is not yet due. To find out when you need to pay go to [paying deductions – monthly or twice monthly](#) on page 69.

### Step 3 – Confirm and submit your return

You will get a submission confirmation letting you know the return has been filed successfully.

### Completing your return using file upload option

If you use our [PAYE calculator](#) to work out the amounts to deduct from employees, you have an option to create an upload file and export it to your payroll account in myIR. This option saves you having to add employee information again in myIR.

#### Step 1 – add employee information to the PAYE calculator

Include your employer IRD number, name and contact information.

Repeat for each employee you are paying for the same pay day.

- Add employee IRD number, name, tax code, pay frequency, employment start date and finish date (if required) and the pay day start and end dates.
- Add the gross earnings – the calculator will work out the PAYE, and student loan deductions for you.
- If an employee is a KiwiSaver member (Yes) add the employee deduction percentage, your employer contribution rate, complying fund (if applicable) and ESCT rate. The calculator will work out the deductions for you.

Click next once you have added all the employee information and review the results to make sure you have completed all the required details.

Employee details
Charlotte Bennet
Ella Dashwood

Name	Tax code	Pay frequency	Gross salary/wage per
Charlotte Bennet	M SL	Fortnightly	\$1,500.00
Ella Dashwood	M	Fortnightly	\$900.00

Printable copy

Export

Restart

**Print and export options**

You can request a printable copy to save for your records.

Click export to create the upload file. The file will save to your downloads folder.

## Step 2 – upload the exported file to your payroll account in myIR

- Payroll account > File or upload return
- Choose the **upload file**
- Click on **choose file**

A file called **IRD\_Employer\_PAYE\_calculator** will be in your downloads folder. Select the file to upload and open.

The file will automatically upload to your myIR account. If there are errors in the file, you will need to correct these before finalising the upload. You can edit these in myIR. For help correcting errors go to [ird.govt.nz/ei-errors](http://ird.govt.nz/ei-errors)

If there are no changes to the amounts, the calculations for deductions should still be the same. When the file is successfully uploaded, review the details to make sure these are correct.

Follow the information for completing your return online in myIR for [step 2 – payment](#) and [step 3 - confirm and submit your return](#).

## Correcting your employment information after it's filed

You can amend your employment information return if you discover you have made errors. You can amend individual employee details, add new employees, or remove employees.

You have 4 years from the date you originally filed the employment information return to make any changes. After 4 years, your assessment becomes final, and changes can only be made to child support deductions.

- If you file your employment information returns electronically you can make changes in myIR – go to [ird.govt.nz/amend-ei](http://ird.govt.nz/amend-ei) for help amending returns in myIR.
- If you are paper filing, complete an **Employment information amendment - IR344** form and send it to us.
- You can call us on 0800 377 772.

## KiwiSaver amendments

All contributions made to a KiwiSaver scheme are passed to the scheme provider. When you adjust your employee's KiwiSaver deductions and/or contributions, we pass this information to the scheme provider as well.

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

## Help with myIR errors when amending returns

If you have any problems amending your employment information return in myIR, go to [ird.govt.nz/myir-errors-for-employers](http://ird.govt.nz/myir-errors-for-employers)

## Completing amendment using paper IR344 form

Enter the following details on the IR344 amendment form:

- your business name, IRD number and the pay period you're changing
- employee's name and IRD number the amendment applies to
- the original amounts returned
- the amended amounts.

If you missed including an employee when you filed your employment information return, you only need to complete the **changed to** details on the IR344.



#### Amending employment information using IR344 form

Jasmine noticed she had entered the wrong amount of PAYE for an employee in her last employment information return. All the employee's other details are correct.

Jasmine completed the **Employment information amendment - IR344** form with the employee's name and IRD number and only shows the original PAYE amount and the changed PAYE amount.

#### Note

The IR344 form can only be used for amendments to 1 pay period's PAYE details. If changes cover more than 1 pay period, you should use a separate form for each period.

You can amend up to 3 employees per amendment form. Go to [ird.govt.nz/IR344](http://ird.govt.nz/IR344)

### ESCT amendments

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. Enter the original details for ESCT and the changed amount.

## Help with myIR employment information tasks and return errors

We have some useful information to help you complete common employer tasks in myIR. Go to [ird.govt.nz/myir-ei-help](http://ird.govt.nz/myir-ei-help)

You can find out how to:

- add a new employee
- change employee details
- remove an employee
- file an employment information return
- amend employment information return
- tell us about nil wages
- manage employee's KiwiSaver
- error messages.

If you do not find the help you need here, check our myIR errors for employers page, this has more help with file upload errors. Go to [ird.govt.nz/myir-errors-for-employers](http://ird.govt.nz/myir-errors-for-employers)

## Paying deductions – monthly or twice monthly

Deductions from employee and contractor payments must be paid to us by the due date. Whether you pay your PAYE to us monthly or twice-monthly depends on your gross annual PAYE deductions. Gross annual PAYE is the total PAYE, including any ESCT, but excluding ACC earners' levy, student loan repayments, KiwiSaver and child support deductions.

#### Note

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

### Paying deductions monthly

If your gross annual PAYE and ESCT is less than \$500,000, pay deductions to us monthly. The due date is the 20th of the following month. You can choose to pay more often.

If you're a new employer, pay deductions to us monthly until your annual PAYE and ESCT is \$500,000 or more.



**Monthly – PAYE and ESCT less than \$500,000**

Employer Jasmine’s total annual deductions are below the \$500,000 PAYE threshold. Jasmine pays her employees fortnightly. There are 2 pays in October:

Pay period dates	Payment due date
10 October	20 November
24 October	

**Paying deductions twice monthly**

If your gross annual PAYE and ESCT is \$500,000 or more in the previous tax year (1 April to 31 March), you're required to pay deductions twice monthly.

Salary or wages paid between	Payment due date
1st and 15th of the month	20th of the same month
16th and end of every month except December	5th of the following month
16th and 31st of December only	15th January



**Twice monthly – PAYE and ESCT \$500,000 or more**

Employer Mark’s total PAYE for last year was \$680,000. Mark pays his employees fortnightly. The due dates for November and December are:

Pay period dates	Payment due date
7 November	20 November
21 November	5 December
5 December	20 December
19 December	15 January

**Paying deductions to us**

Please pay by the due date. If you pay late, penalties and interest may be charged. For more information go to page 74.

**myIR**

When you file your employment information in myIR, you have an option to pay at the same time as you file. If you do not use this option, you can find the total amount to pay in your **Payroll** account under **Returns and transactions** for the pay period.

**Other ways to pay**

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

- internet banking using the pay tax function offered by most New Zealand banks
- by credit or debit card
- direct debit.

**Note**

If you pay using internet banking include this information:

- account type EMP (employer activities)
- your IRD number as the reference
- the pay period date.

## Employee details

### When an employee stops working for you

In my IR add the finish date in your employment information return and in their employee details. You can find this in **Payroll > Employees**. You can also upload an **employee details** file if you have multiple employee finish dates to add.

If you are deducting child support, you must provide the employee's finish date and child support code.

Make sure you add the finish date in the employee details – this stops the employee appearing in your employment information return next time you go to file.

If you file by paper, add the finish date in the IR348 return.

### Automated finish date added by us

We may add an automatic finish date if for 3 consecutive months an employee has:

- not been included in your employment information return, or
- been included with no recorded earnings.

### Employee rehired after a finish date has been added

If an employee is rehired:

- they must complete another **Tax code declaration – IR330**
- add the employee's new start date in your employment information return.

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 they wish to remain this way and provide us with a new KiwiSaver opt-out request.

### Employee rehired within 3 months of their last pay period

If no finish date has been added by you or us, you do not need to do anything. Include the employee's latest pay details as normal. They do not need to give you a new tax code declaration unless their tax code has changed.

### Employee on transfer

If an employee transfers from a 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 add the employee to their employment information return.

If the employee is paid from a central or head office, there is no change. They continue deducting PAYE from the employee's earnings and no new IR330 is required.

## Cancelling your registration when you stop employing

If you've stopped paying wages permanently, you must:

- include finish dates for all employees in your final employment information return
- add the finish date in your employee details information (Payroll > Employees)
- cancel your registration.

### Ways to cancel your registration

You can cancel your registration in myIR:

- in myIR – go to **Payroll > More... > Manage account > Cancel account registration** or you can send us a message (from myIR).

If you are paper filing, include a note with your final employment information return letting us know you've stopped employing and the date this applies from, or call 0800 377 772 even if your business is still going.

### Note

If you're a company, you cannot cancel your registration until all wages, including shareholder-employee salaries, have been finalised.

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

### If you've stopped or are about to stop providing fringe benefits

If you are no longer providing fringe benefits or closing your business, you need to cancel your fringe benefit tax (FBT) registration. You can cancel your registration in myIR or in your final return.

If you're a close company and you're still in business but you want to opt out of FBT, go to [ird.govt.nz/fbt-close-companies](https://ird.govt.nz/fbt-close-companies)

### If you're no longer in business

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

## Calculating PAYE for daily, half monthly, 3-weekly and changed pay days

Sometimes the PAYE deductions worked out using the standard methods for employees with unusual circumstances, could mean the amount you deduct leaves the employee under or overtaxed. We cover off some of these situations here.

You can use the [PAYE calculator](#) or weekly tax tables to do these calculations.

### Daily or casual pays

If an employee works for you on a daily or casual basis, and you pay them and deduct PAYE each time they work, you may not deduct enough tax when they work more than 1 day in the pay period. The employee could end up with a tax bill at the end of the year.

The most accurate way is to work out the PAYE progressively in these situations.

**Day 1** – Calculate the PAYE as normal using the PAYE calculator for a weekly pay period or using the weekly tax tables.

**Day 2** – Add the previous day's gross pay to the current day, calculate the PAYE on the total and deduct the PAYE from day 1.

**Day 3** – Add the 2 previous day's pays to the current day, calculate the PAYE on the total and deduct the 2 previous day's PAYE.

**Repeat** this calculation if the employee works more days in the pay week.



#### PAYE calculated progressively

Evie's tax code is M and works on a casual basis, paid \$225 each day she works. Evie is called in 3 times in 1 week:

Daily pay	Earnings for week to date	Daily PAYE to date	PAYE already deducted for week	PAYE to deduct from day's pay	Amount paid to Evie each day
\$225.00	\$225.00	\$27.56	-	\$27.56	\$197.44
\$225.00	\$450.00	\$65.62	\$27.56	\$38.06	\$186.94
\$225.00	\$675.00	\$108.93	\$65.62	\$46.31	\$178.69
Total PAYE deducted				\$111.93	

If Evie's employer just works out PAYE on each day's pay, the total deducted for the week would be \$82.68 (\$27.56 x 3). The difference is an under deduction of \$29.25 in just 1 week. If this situation happens frequently during the tax year, the amount under deducted mounts up and Evie will get a tax bill.

### 3-weekly pay periods

If you pay an employee 3-weekly, calculate the PAYE as follows:

- divide the pay by 3 to get the weekly earnings
- use the PAYE calculator or weekly tax tables to calculate the PAYE on 1 week's pay
- multiply the weekly PAYE by 3 to get the total amount to deduct from the 3-weekly pay.

### Half-monthly pay periods

If you pay wages half-monthly calculate PAYE as follows:

- double the half-monthly earnings
- calculate PAYE using the monthly pay frequency in the PAYE calculator or tax tables
- divide the monthly PAYE by 2 to get the total amount to deduct from the half-monthly pay.

### Change of pay period

If you change pay periods (for example from weekly to fortnightly) but the pay day remains the same, use the new frequency in the PAYE calculator or tax tables.



#### Change of pay period example

Brooke employs 1 employee and has been paying them weekly on Wednesday. Brooke decides to change to paying fortnightly wages, using the same Wednesday pay day.

All Brooke needs to do is change from using the weekly pay frequency (either in the PAYE calculator or tax tables) to the fortnightly frequency from the new pay period date.

### Changing the pay day in the new pay period

If you're changing the day you pay staff, for example from Friday to Wednesday, treat the first pay of the new payday as a full week and calculate the PAYE as normal.

### Less than a full pay period

If an employee starts work part way through a period or does not work a full week calculate the PAYE as normal.

## Part 5 – Penalties

As an employer you're responsible for making deductions from your employees' earnings and schedular payments paid to contractors.

It's a serious matter if you do not properly deduct and/or pay employees' PAYE or other deductions. You will 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 penalties that will be charged.

The information in this part applies to these employer deductions:

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

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 returns 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 your employment information return is not filed by the due date. We will notify 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 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 do not charge interest on unpaid amounts less than \$100. The interest rates are set by government and are based on market rates. You can check the current rates at [ird.govt.nz/UOMI](http://ird.govt.nz/UOMI)

### Late payment penalties

A payment is late if it's posted or delivered to us after the due date. See page 62 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) 7 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.

## 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.

### Penalty example

If there are 500 employees listed in the employment information return each month, the penalty will be \$500 each month. The penalty is due 30 days after the end of the month the return was due.

You'll only be charged 1 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 us.

We charge shortfall penalties on top of any normal tax. The shortfall penalty is a percentage of the tax deficit or understatement of tax, resulting from certain actions by the employer. There are 5 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 behavior.

In addition to these penalties, you could be fined and/or imprisoned for up to 5 years.

You can dispute a shortfall penalty if you feel it is wrongly imposed.

## Non-payment of employer deductions penalty

If you file your employment information returns 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, you will be charged 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 an instalment arrangement, a further 10% penalty will be added.

If you pay in full or enter an instalment arrangement within that month, the non-payment penalty will be at a reduced rate of 5% of the unpaid tax.



### Example – failing to make deductions

Tom files his June employment information returns but does not pay the deductions to us by 20 July. Late payment penalties and interest start being added to the amount he owes.

We send Tom a reminder letter asking him to pay in full or enter an instalment arrangement within 1 month.

- If Tom pays the total amount he owes in full within the month, no NPP is charged.
- If Tom does nothing, a 10% NPP is charged on the total amount he owes each month until paid in full.
- If Tom sets up an instalment arrangement within the month, the NPP reduces to 5% and does not continue to be charged each month.

### Note

If you cannot pay PAYE, student loan, child support, and/or KiwiSaver deductions, contact us immediately. You must still file your employment information returns by the due dates.

NPPs are not charged on outstanding amounts of less than \$100 or if you make payments under an instalment arrangement.

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

## Failing to make deductions

You must deduct PAYE, KiwiSaver, student loan, and/or child support deductions when required from payments made to employees. You must also deduct and pay ESCT on employer contributions. Failure to do this is a serious offence and can result in penalties and fines being imposed.

### Note

You could be fined up to \$25,000 for a first offence and \$50,000 for subsequent offences if you knowingly fail to make deductions. Shortfall penalties may also be charged.

## 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 deductions be used for any other purpose than for payment to us. We're here to help you to meet your responsibilities but we will take legal action if you do not comply with the tax laws.

Failing to pay deductions to us is a serious offence and can result in prosecution.

### Note

If convicted for failing to pay deductions, you may be:

- fined up to \$50,000 and/or
- sent to prison for up to 5 years.

Your name will also appear in the New Zealand Gazette.

## Evasion

You can be fined up to \$50,000 and/or be imprisoned for up to 5 years if you're convicted of knowingly attempting to evade your responsibilities. It's also illegal for you to aid or assist another person to commit an offence.

## Additional student loan penalties

You must give us details about your employees who have student loans, such as IRD number, name and amounts deducted. Failing to provide the correct information is an offence and you may be prosecuted.

### Note

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

## Protecting privacy of child support employees

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

There are only 2 exceptions:

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

You can be fined up to \$15,000 if your convicted of a privacy offence.

## Prejudice

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

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

## Employees start and finish information penalties

You must provide us with your employees' start and finish dates.

Failing to provide the correct details is a serious offence and you may be prosecuted and penalised.

## Audits

You 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 7 years. We may ask you to keep your records for an additional 3 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

You should tell us about any omissions or errors in your PAYE account. We may still charge shortfall penalties but, if you tell us before we notify you of an audit or investigation, we may reduce shortfall penalties by up to 100%.

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 6 – Manual record keeping and paper filing

## Manual wage book record keeping

The information in your wage book helps with completing your employment information returns.

- Start a new page in your wage book when an employee starts, 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 1 day.
- Complete these wage details each pay day:
  - 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 26)
  - any tax credits for payroll donations (see page 29)
  - the value of tax-free reimbursing allowances.
- Summarise the details for each employee at the end of each deduction payment period.

The summary information is used to complete your employment information return (either electronically or the IR348 paper return).

### Wage book example

Start a new page for each employee

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

**Wagebook**

(a) Name:

(b) Address:

(c) Occupation:

(d) Date started:

Employee's IRD number:

Employee's tax code:

KiwiSaver member: Yes  No

KiwiSaver deduction rate:

Date applied:

Finish date:

ESCT rate:

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
4/08/24	800.00		132.36				40.32		25.00					24.00	221.68	578.32	5.00	583.32	24.00		4.20		19.80	
11/08/24	800.00		132.36				40.32		25.00					24.00	221.68	578.32	5.00	583.32	24.00		4.20		19.80	
18/08/24	800.00		132.36				40.32		25.00					24.00	221.68	578.32	5.00	583.32	24.00		4.20		19.80	
25/08/24	800.00		132.36				40.32		25.00					24.00	221.68	578.32	5.00	583.32	24.00		4.20		19.80	
August 2024		3,200.00		529.44				161.28		100.00				96.00	886.72	2,313.28	20.00	2,333.28	96.00		16.80		79.20	

**Monthly summary of wages and tax deductions**

Employees' 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
Ross Davies (012-723-142)	3,000.00	489.00						489.00	2,511.00	25.00	2,536.00		
Joe Bloggs (122-222-222)	3,200.00	529.44		161.28	100.00		96.00	886.72	2,313.28	20.00	2,333.28	79.20	16.80
Stacey Rawlins (12-111-222)	192.00	23.23						23.23	168.77	16.00			

### Completing paper employment information return – IR348

For help completing paper employment information returns go to [ird.govt.nz/paper-ei](http://ird.govt.nz/paper-ei)

### Completing employment information returns – IR337

Example of employment amendments – IR344



Employment information amendments

IR344 July 2024

Employer IRD number: 8 9 0 1 2 3 4 5
(8 digit numbers start in the second box. 1 2 3 4 5 6 7 8)
Pay date: 3 0 4 2 4
Day Month Year

Employer name: A C Design Limited
Please read the notes on the back of this form. If details for more than two employees need amending for this pay date, attach additional amendment forms and show the pay date on each form. Use a separate form for each pay date that needs amendment.

Employee details
Surname: Davies, First name(s): Robyn, IRD number: 1 2 3 4 5 6 7 8, Tax code: MSL, Employment date: Start/Finish, Pay frequency, Child support code, Child support code, Earnings and/or scheduled payments not liable for ACC earners' levy: \$ 00, Lump sum payment made and taxed at lowest rate: \$ 00, PAYE and/or scheduled tax deductions: \$ 2 4 0 0, Student loan deductions: \$ 3 8 5 4 0, Net KiwiSaver employer contributions: \$ 7 2 0 0, ESCT deductions: \$ 5 9 4 0, Prior period PAYE adjustment: \$, Prior period gross adjustments: \$, Net income: \$, SIBOR: \$

Change to
Surname: , First name(s): , IRD number: , Tax code: , Employment date: Start/Finish, Pay frequency, Child support code, Child support code, Earnings and/or scheduled payments not liable for ACC earners' levy: \$, Lump sum payment made and taxed at lowest rate: \$, PAYE and/or scheduled tax deductions: \$ 1 8 0 0, Student loan deductions: \$ 2 7 0 2 0, Net KiwiSaver employer contributions: \$ 5 4 0 0, ESCT deductions: \$ 4 4 9 2, Prior period PAYE adjustment: \$, Prior period gross adjustments: \$, Net income: \$, SIBOR: \$

Underpayment or overpayment (see notes on back)
Underpayment (please send payment)
 Paid electronically
 Transfer to PAYE period ending
 Transfer to other tax type (complete panel on back)
 Refund
(Please provide explanation of changes on back)
Declaration: I declare that the information given is true and correct.
Signature: [Handwritten Signature]

## Part 7 – 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

Find out more at [ird.govt.nz/contact-us](https://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](https://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, for example, to reset 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 (e.g., GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to [ird.govt.nz/contact-us](https://ird.govt.nz/contact-us) and select Request a business advisory visit to find out about requesting a visit.

Find a seminar or workshop near you at [ird.govt.nz/seminars](https://ird.govt.nz/seminars)

## Business Tax Update

We've made some changes to the way we share our updates with you.

[business.govt.nz](https://business.govt.nz) produce a newsletter covering a range of topics important to business. Along with several 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](https://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 [taxtechnical.ird.govt.nz/subscribe](https://taxtechnical.ird.govt.nz/subscribe) 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.

Find out more about making a complaint at [ird.govt.nz/disputes](https://ird.govt.nz/disputes)





**Te Kāwanatanga o Aotearoa**  
New Zealand Government