



Inland Revenue  
*Te Tari Taake*

**IR 335**  
March 1999

# Employer's guide

**Information you need if you  
employ staff or hire contractors.**

## Introduction

We've written this booklet to help you fulfil your obligations as an employer.

If you have anyone working for you, it is your responsibility to make deductions from payments you make to them, as well as giving information to Inland Revenue. This booklet explains what you are required to do, and tells you what Inland Revenue does if you do not comply.

There are major changes to the PAYE system from 1 April 1999. This booklet tells you what to do for the 1999/2000 tax year onwards.

If you have obligations for prior years you will need to refer to the February 1998 *Employer's guide (IR 184)*.

See page 2 for a summary of the main changes.

The booklet is divided into six parts, to help you find information easily.

If you have not yet registered as an employer, read our booklet *First-time employer's guide (IR 333)*. It tells you what you need to know before you register as an employer.

If you need help with any of your employer obligations, or you have questions about anything in this booklet, phone us on **0800 377 772**.

## How to use this guide

### Part 1 – Your obligations as an employer

Part 1 deals with employers' day-to-day obligations. It explains who is an employee, and the types of deductions you may have to make from your employees' wages.

### Part 2 – Records

This part tells you what records you need to keep, how often to pay deductions to Inland Revenue, and what forms you need to complete when you pay the deductions. It also tells you what to do if you stop being an employer.

### Part 3 – Other payments

Employers may make payments other than normal wages to their workers. This part explains the tax treatment of these other types of payments.

### Part 4 – Penalties

This part tells you about the penalties and charges applicable if you fail to meet your tax obligations.

### Part 5 – Special types of workers

Part 5 explains how to deduct tax from the payments you make to special types of workers.

### Part 6 – Services you may need

On page 49 there is a list of Inland Revenue's services, including our contact telephone numbers. On page 51 there's also a list of publications you might find useful.

## Changes to note

Employees are no longer required to complete IR 12 or IR 13 certificates. These have been replaced by a *Tax code declaration (IR 330)*. This is explained on page 6.

The *Employer deductions (IR 345)* or *(IR 346)* forms replace the IR 66N and IR 66W forms. See page 22.

An *Employer monthly schedule (IR 348)* has been introduced and replaces the child support, student loan and employee start and finish schedules. See page 24.

You may be charged a late filing penalty if you fail to file your *Employer monthly schedule (IR 348)* on time.

From 1 April 1999 you will no longer have to prepare an IR 68P end-of-year PAYE reconciliation.

Note: You still need to file your 1999 IR 68A and IR 68P by 31 May 1999.

Some large employers will have to file their employer monthly schedules electronically. Exemptions may be given in certain circumstances. Page 27 has more details.

The new secondary high tax rate and higher lump sum tax rates are explained on pages 8 and 31.

There has been a change to the way shearers and shearing shed-hands are taxed. This is explained on page 45.

From 1 April 1999, you must deduct PAYE at the new no-declaration rate of 45 cents in the dollar (plus earner premium) from any employee who doesn't provide you with a completed IR 330.

### Special note – work permits

The New Zealand Immigration Service has asked us to remind you that if you are thinking of hiring someone from overseas they need a work permit.

Only citizens and permanent residents of New Zealand and Australia may work in New Zealand without a work permit. Everyone else needs one. You can be fined for knowingly employing overseas workers without valid work permits.

For more information on work permit requirements please contact the New Zealand Immigration Service.

### Year 2000 – Computer systems

All taxpayers and their agents who rely on computer technology to calculate their taxes are responsible for making their computer technology year 2000 compliant.

If you don't meet your obligations to calculate tax and file a return because you have failed to make your technology year 2000 compliant, we may charge you a shortfall penalty for "lack of reasonable care" or for "gross carelessness".

However, if you fail to meet your tax obligations but show that you have taken reasonable care, you won't be charged a shortfall penalty.

You may also be liable for a late filing penalty. Interest will apply to any underpaid tax.

# Contents

<b>Part 1 – Your obligations as an employer</b>	5	<b>Part 3 – Other payments</b>	29
Who is an employee?	5	Allowances	29
Types of deductions	6	Lump sums	31
Deducting PAYE	6	Bonuses – regular	34
Tax code declaration (IR 330)	6	Holiday pay	35
No-declaration rate	8	Loss of earnings compensation	35
ACC earner premium	9	Honoraria	36
Student loan deductions	9	Life insurance and personal accident premiums	36
Child support deductions	10	Prize money paid at sporting events and competitions	36
Deducting employees' arrears	11		
If an employee has a special tax code or deduction rate certificate (IR 23)	12	<b>Part 4 – Penalties</b>	37
Withholding payments	13	Late payment penalties	37
If a worker has a certificate of exemption (IR 331)	14	Interest	37
Superannuation fund contributions	15	Late filing penalty	37
ACC residual claims levy	16	Non-electronic filing penalty	38
		Shortfall penalties	38
<b>Part 2 – Records</b>	17	Failing to make deductions	38
Records you need to keep	17	Failing to pay deductions to Inland Revenue	38
Computer payroll systems	18	Aiding and abetting	39
Paying deductions to Inland Revenue	18	Evasion and similar offences	39
Are you a small employer?	19	Additional student loans penalties	39
Are you a large employer?	19	Additional child support penalties	39
Large employers with other pay periods	20	Employee start and finish information penalties	40
Employer deductions (IR 345) and (IR 346) forms	22	Audit procedures	40
Completing the IR 345	22	If you disagree	40
Completing the IR 346	22		
The Employer monthly schedule (IR 348)	24	<b>Part 5 – Special types of workers</b>	41
Child support codes	26	Casual agricultural workers	41
Electronic filing – ir-File	27	Commission agents	41
How to pay your deductions	27	Directors	41
Employee stops working for you	28	Drovers and musterers	41
If you permanently stop paying wages	28	Election day workers	42
If you have stopped business	28	Fishermen	42
Running totals	28	IR 56 taxpayers	42
		Jockeys and trotting drivers	42

Musicians, dance bands and orchestras	42
Non-residents	43
Partners in a partnership	45
Piece workers and outworkers	45
Shareholder-employees in close companies	45
Shearers, shedhands and shearing contractors	45
Spouse – wages paid to your wife or husband	47
Students	47
Subsidised workers	48
Workers receiving a community wage	48
Workers under labour-only contracts in the building industry	48
<b>Part 6 – Services you may need</b>	49
How to contact us	49
INFOexpress	49
Business Tax Information Service and Maori Community Officers	49
Corporates	49
Tax Information Bulletin	50
Payroll News	50
Inland Revenue's website	50
Privacy Act – What you need to know	50
Publications	51
Index	52

## Part 1 – Your obligations as an employer

This part of the guide explains your day-to-day obligations as an employer.

As an employer, you must make deductions from payments you make to people who work for you. You must pay the deductions to Inland Revenue. There are penalties for not fulfilling these obligations.

There are also certain records that you need to keep. Refer to page 17 for more about this.

Anyone who starts working for you during the year must fill in a *Tax code declaration (IR 330)* when they start. If an employee does not fully complete a tax code declaration for you, PAYE must be deducted at the no-declaration rate (refer page 8). You must keep the tax code declarations as part of your business records for seven years after the last wages payment is made to the employee. Each payday you need to record wage details for each employee. See Part 2 for more details.

The PAYE deduction rates used in the examples in this guide are correct as at 1 April 1999. To find out the current PAYE deduction rates, check the PAYE deduction tables.

### Who is an employee?

It is very important you are sure about whether the people who work for you are your employees or whether they are self-employed. This is because tax, student loan and accident compensation laws treat the two groups of people differently and you are responsible for your employees' tax deductions. **It is illegal to treat a true employee as self-employed to avoid deducting tax.** If you do this you may be prosecuted and fined, as well as having to pay the amount of PAYE that you should have deducted.

In most cases it will be quite clear whether or not someone is an employee. Generally, if you control how and when the person's work is done, the person is your employee.

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

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

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

**FOR MORE HELP**

If you need more help to decide whether your worker is an employee, you will find our pamphlet *Self-employed or an employee?* (IR 186) useful. You might like to go through it with any of your staff whose status is unclear. You can order this publication through INFOexpress (see page 49).

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

**If you decide that someone is not an employee, you may still have to deduct withholding tax from any payments you make to them (see page 13 of this booklet).**

**Types of deductions**

PAYE is the basic "Pay As You Earn" deduction which you take out of your employees' wages whenever you pay them. PAYE includes an ACC earner premium (see page 9). Besides PAYE, there are other deductions which you may have to make from your employees' pay. These include student loan repayments and child support. This means that there are several different overall rates of deduction from your employees' wages, depending on their circumstances.

**Deducting PAYE**

Each year we send you a booklet of PAYE deduction tables containing the current deduction rates so that you know how much to deduct from each employee's pay.

**Tax code declaration (IR 330)**

All new employees must complete an IR 330 tax code declaration when they start working for you. A new declaration must also be completed if an employee wishes to change their tax code. See opposite page.

It is not necessary for your employees to complete a new declaration every year providing their tax code remains the same (see transitional provisions below, which apply to the 2000 tax year). Each employee needs to read the notes on the IR 330 to work out their correct tax code.

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

If you need extra forms you can photocopy them or order them through INFOexpress (see page 49).

If you use a computer payroll system refer to page 18.

**Transitional provisions – 2000 tax year**

The IR 330 tax code declaration replaces the IR 12 and IR 13 certificates previously completed by employees each year. For the year commencing 1 April 1999, all existing employees will need to complete an IR 330.

The only exception to this is if you use a computer payroll system. Your employees don't need to complete a new IR 330 form if they are on a G or G ED tax code or received withholding payments for the year ended 31 March 1999. These codes can be automatically rolled over to the new tax codes M, M SL or WT. If any employees want to change their tax codes, they must complete an IR 330.

**Primary employment**

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



# Tax code declaration

IR 330  
December 1998

- Choose just one tax code on this form. You need to fill in one of these IR 330 forms for each job.
- Please fill in this form carefully—start at number 1 and follow the steps. When you're done hand it to your employer.
- If you don't give your employer the details on this form, including your IRD number, your employer must deduct tax at 45 cents (plus earner premium) in the dollar from your pay.
- If you are unsure of your IRD number or which tax code you should select, telephone 0800 227 774 for help. If you have a student loan call 0800 377 778.
- You might need to change your tax code during the year. Check the notes on the back to find out when.

**1** First name(s)  Family name  Your IRD number

- If you're a casual agricultural worker, shearer or election day worker, or if you receive withholding payments, go straight to number 3.
- If you have a special tax code, go straight to number 4.
- Everyone else carry on at number 2.

**2** Read the questions then circle your tax code.

No      Do you have a student loan?       Yes

**Main job**  
Choose one of these codes for your main job. You can use this code for only one job.

Is your income from all sources likely to be more than \$9,880?  
 Yes      **M**  
 No

Do you work a total of more than 20 hours a week in your job(s)?  
 Yes      **ML\***  
 No      **M**

\* Note that you can't use ML if you or your partner qualify for family assistance. Use M instead

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**Other jobs**  
If you have more than one job, use one of these codes for all jobs except your main job.

Is your income from all sources likely to be more than \$38,000?  
 No      **S**  
 Yes      **SH**

**Main job**  
Use this code for your main job. You can use this code for only one job.

**M SL**

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**Other jobs**  
If you have more than one job, use one of these codes for all jobs except your main job.

Is your income from your main job likely to be more than the student loan repayment threshold\*?  
 Yes  
 No      **S**

Is your income from all sources likely to be more than \$38,000?  
 No      **S SL**  
 Yes      **SH SL**

\* Visit our website at: <http://www.ird.govt.nz>, or call us on 0800 377 778 if you need to know the repayment threshold amount.

**3** Select one of these codes if the situation applies to you. This will ensure you are taxed at the correct rate.

If you are receiving withholding payments, circle this code. (This is for contract work—not for salary/wages.)  
 Check the list of withholding payment occupations on the back, and write the type of work here.  **WT**

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Circle this code if you are a casual agricultural worker, shearer or shearing shedhand. **CAE**

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Circle this code if you are an election day worker. **EDW**

**4** Circle this code if you have a *Special tax code certificate (IR 23)* from Inland Revenue. Please attach the certificate. **STC**

**5** Check: Have you filled in your name, IRD number and only one tax code?  
 Signature  Date

An employee can use only one primary tax code (M or ML) at any time. The tax code is based on the personal income tax rebates each employee can claim. There is also a primary code (M SL) for employees who are repaying a student loan (see page 9) and whose earnings from primary employment are over the repayment threshold. The IR 330 explains how to work out a tax code.

Once you have the employee's tax code, use the PAYE tables to work out how much PAYE to deduct from each pay. ACC earner premium is included in the PAYE rates.

### Secondary employment

If an employee is already using a primary employment tax code (has a full-time job or receives a benefit) and decides to take another job, that other job is called secondary employment.

The employee must complete another IR 330 for secondary employment, using one of the secondary tax codes, S or SH. Employees repaying student loans must use the S SL or SH SL code, if they are already using the M SL code for another job.

Refer to the PAYE deduction tables for the current secondary tax rates.

Your employees can elect to have their secondary income taxed at a higher rate than would be deducted if they used the S code by using the SH tax code on their IR 330 tax code declaration.

It is best to do this if their income is likely to take them into a higher tax bracket (ie \$38,000), as it will help avoid a tax bill at the end of the year.

Unlike the primary tax codes, an employee can use the secondary tax codes on more than one IR 330 at the same time.

### Example

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

If an employee does different work for you outside normal working hours, use the secondary tax rate if the payment for the different work covers a different period from the normal pay period. The employee must fill in a separate IR 330 if the secondary rate is used.

In other cases, add the payment for the different work to the normal pay and calculate the PAYE on the total payment.

## No-declaration rate

Use this when an employee or person receiving salary or wages or withholding payments does not give you a fully completed IR 330 declaration form. You are legally required to use the no-declaration rate if they:

- do not give you a completed IR 330, or
- do not enter their IRD number, or
- leave out any personal details, or
- do not show a tax code.

The rate you deduct is either:

- PAYE of 46.4 cents in the dollar (which includes earner premium) for employees, or
- 15 cents in the dollar on top of the normal rate of withholding tax for persons receiving withholding payments.

**If an employee does not fill in an IR 330 form or complete it fully, enter "ND" as the tax code on your *Employer monthly schedule (IR 348)* and tax at the no-declaration rate.**

This is how to calculate PAYE at the no-declaration rate for salaries and wages.

1. Take gross earnings.
2. Add the value of taxable allowances, if any.
3. The total is "earnings subject to PAYE".
4. Work out PAYE, at the rate of 46.4 cents in the dollar. Use whole dollars only.
5. Add non-taxable allowances.
6. This is the employee's take-home pay.

### Example

Basic weekly pay is \$385.75. The tax on whole dollars is \$385 x 46.4 cents.

PAYE to be deducted is \$178.64.

## ACC earner premium

All employees must pay an ACC earner premium to cover the cost of non work-related injuries. Inland Revenue collects this on behalf of the Accident Compensation Corporation (ACC).

**For employees, this premium has been built into the PAYE tables and is deducted along with the tax.** This means you don't need to do any extra calculations for it in each pay period. You pay the PAYE, which includes the premium, by the due date as usual.

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

- wages and salaries
- overtime pay
- back pay and holiday pay
- long-service leave pay
- bonuses or gratuities
- taxable allowances
- shareholder-employee salaries from which PAYE is deducted
- salaries to partners in a partnership.

The main exceptions are withholding payments, retirement payments, redundancy payments, jury fees, witness fees, student allowances, various benefits, taxable and non-taxable pensions, and tax-free allowances.

## Student loan deductions

Some students take out loans under the student loan scheme to help pay for their studies. Borrowers only have to make repayments if they earn over a certain amount called the repayment threshold.

When these borrowers expect to earn over the repayment threshold from primary employment, they must tell their employers to start deducting loan repayments.

They do this by putting an M SL tax code for primary employment, or an S SL or SH SL tax code for secondary employment, on their IR 330.

The PAYE deduction tables have columns for the M SL and S SL or SH SL codes, which show the amount of PAYE and student loan deductions to be made.

Employers then have to deduct the loan repayments from these borrowers' wages, and pay the deductions to Inland Revenue with the PAYE deductions.

If a borrower tells you part-way through the year that they should have been using one of the student loan codes, deduct the repayments only from the time you get the new code. It is not your responsibility to deduct repayments if the borrower has not given you the correct code.

You will need to keep records of the PAYE and student loan repayments separately in your wage books. See page 17 for an example of a wage book.

**Note:** Do not deduct student loan repayments from withholding payments (see page 13).

By law you cannot discriminate in any way against any employee because of their student loan obligations. We suggest you read page 39 for more details on this.

## Child support deductions

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

The payments Inland Revenue Child Support collects are paid directly to the parent who has care of the child, if that parent is not a beneficiary. If they are a beneficiary, the payments are passed on to the Government.

Employees can choose how they want to pay their child support. It may be a private arrangement which doesn't involve the employer. However, if Inland Revenue Child Support asks you to deduct child support from any employee's wages, you are required to do this by law.

Inland Revenue Child Support works out how much child support a paying parent should pay each pay period. If the parent is your employee, we may contact you for some information. This will usually be details about how often you pay wages, the next regular payday or pay period for that employee and whether you want an employee reference on the notice we send to you.

### Child support deduction notice

Once we have all the information, we will send you a *Child support deduction notice (CS 503)*. This tells you to deduct child support payments from your employee's pay.

Where possible all child support notices issued for the same pay will be in one envelope. To help make it easier for you to process deduction notices you may wish to receive the notices in one of the following formats:

1. A consolidated deduction notice. This is a notice in schedule form, showing all additions and changes to child support payments made from your employees' pay (CS 53C).
2. Both individual deduction notices and a consolidated deduction notice.

Please contact us if you would like to use either of the above options. Use our toll-free phone number 0800 221 221.

The notice shows:

- your employee's name and IRD number
- the payday or pay period when you must start deducting child support
- the amount to deduct from each pay
- employee reference if provided.

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

We also send a copy of this notice to your employee. Please let us know if you believe any details on the deduction notice (CS 503 or CS 53C) are incorrect. If the deductible amount changes during the year, we will send you another CS 503 notice. This will show the new amount of child support, and when you must start deducting the new amount.

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

We might ask you to deduct child support from payments to someone who is not your employee—for example, a contractor or a commission agent. The notice we send you explains how to make and pay the deductions.

**Note:** Work and Income NZ collects some money owed to it under previous schemes. If you are making such deductions, continue doing so until Work and Income NZ contacts you. Pay these deductions directly to Work and Income NZ, not to Inland Revenue.

**Protected net earnings**

All employees must be allowed to keep 60% of their net (after tax) pay, after child support is deducted. This is the employee's "protected net earnings", to cover their living expenses.

"Protected net earnings" applies to child support only. So you must still deduct other deductions such as student loan repayments, insurances, superannuation and union fees from the protected net earnings.

Protected earnings are usually only affected if your employee receives less pay than usual for some reason. If your employee would be left with less than 60% of their net pay, you must not deduct the full amount of child support. If you do not deduct the full amount of child support, do not make up the difference from future pays. Inland Revenue Child Support will make arrangements with the employee to pay the balance owing.

**Example 1 – full wages paid**

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

John's weekly wage	\$ 420.00
PAYE deductions	\$ 83.11
Net pay	\$ 336.89
Child support deductions	\$ 70.00
Take home pay	\$ 266.89

Sixty percent of \$336.89 (net pay) is \$202.13. Because John receives more than this in the hand, the full amount of child support can be deducted. If, for example, John had superannuation contributions deducted, they would be taken from the \$266.89.

**Example 2 – less than full wages**

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

John's reduced wage	\$168.00
PAYE deductions	\$ 27.55
Net pay	\$ 140.45
60% of \$140.45 is	\$ 84.27
Balance available for child support (\$140.45 – \$84.27) =	\$ 56.18
John's take home pay	\$ 84.27

The child support must be limited to \$56.18, because deducting the full \$70 would leave John with less than 60% of his net pay. Any other deductions would still have to be taken out of the \$84.27.

**Paying child support deductions**

Child support is due for payment on the same date as PAYE and other deductions. This means it is due on the 20th of each month, (and for large employers, on the 5th of the month as well). Show the total child support deducted for the period on the IR 345 or IR 346.

You also need to show the amount deducted on the IR 348 schedule. See page 24 for instructions on completing these forms. You must keep records of the child support deducted, along with your normal wage records.

**Employee privacy and prejudice**

The law requires you to protect the privacy of your employees who pay child support. You cannot give out information about their child support obligations (with two exceptions, which are stated on page 39).

By law you cannot discriminate in any way against any employee because of their child support obligations. It is very important that you read the full statements about privacy, prejudice and penalties on page 39.

**Deducting employees' arrears**

You may receive a notice from Inland Revenue requiring you to deduct tax or student loan arrears from an employee's wages. You must deduct any child support payments before tax or student loan arrears. Pay the arrears to Inland Revenue by the end of each calendar month—separately from PAYE deductions.

Do not use an IR 345 or IR 346 to pay the arrears. Ask us to send you a payment form (IR 901C). To order a copy see INFOexpress, page 49.



## If an employee has a special tax code or deduction rate certificate (IR 23)

Some employees or other workers may have circumstances which mean you may have to deduct tax at a special rate, or deduct no tax at all. The person will have a certificate which tells you the rate of deductions to make. If you do not see such a certificate, you must deduct the normal rate of tax and other deductions.

People who receive wages or withholding payments may apply to Inland Revenue for an IR 23 certificate. This certificate authorises you to:

- make PAYE deductions using a specified code, or
- deduct tax at a certain rate, or
- deduct earner premium only, or
- deduct student loan repayments at a specified rate.

The IR 23 will be addressed to either one employer or "to whom it may concern" if the person is working for more than one employer.

Quote this number if you need to discuss this certificate with us.



**IR 23**  
December 1998

No. *532475*

### Special tax code or deduction rate

IRD number.

IRD number    
 Work and Income NZ number              
Date of issue

Name and address of holder.

Employee's name *Matt Finnish*  
 Employee's address *15 Kakapo Cres*  
*GREYMOUTH*

Expiry date of certificate.

Valid from  to   
Day Month Year Day Month Year

Name of employer. If more than one employer, wording is "To whom it may concern".

To: *Paula Royd Photographer*

Deduct at the rate in the instruction indicated with a cross.

You are authorised to make the following deductions from the earnings of the above employee:

PAYE deductions under tax code

PAYE deductions at the rate of *23* cents in each dollar of gross income

withholding tax deductions at the rate of \_\_\_\_\_ cents in each dollar of gross withholding income

earner premium deductions—multiply gross income by *0.014*

Student Loan deductions at the rate of \_\_\_\_\_ cents in each dollar of gross income.

- ▶ Please keep this certificate with your employee's wage records.
- ▶ At expiry date, your employee must give you either a new certificate or a Tax Code Declaration to use after that date.

This certificate is issued under the Income Tax Act 1994, the Income Tax (Withholding Payments) Regulations 1979, the Accident Rehabilitation and Compensation Insurance Act 1992, the Accident Insurance Act 1998, and the Student Loan Scheme Act 1992.

The certificate is invalid unless it's signed.

Area Manager/Centre Manager   
  
  
Date

Must be signed by the holder.

Please sign this panel before handing this form to your employer. It is an offence to alter this certificate.

Employee's signature   
  
  
Date

### Checking the IR 23

When an employee gives you an IR 23, make sure it is valid. Check that:

- the person named on the certificate is the person working for you
- it is properly authorised by Inland Revenue
- it is for the right tax year
- the certificate shows the rate for making deductions
- the employee has signed it.

The certificate shows the period for which it applies. When that period ends, the employee must show you a new IR 23 or complete a new IR 330 and select the appropriate code for their changed circumstances. If you do not have either of these, deduct tax at the no-declaration rate shown in the PAYE deduction tables.

**If the IR 23 names you as the employer** you need to:

- print the employee's name and IRD number on an IR 330 (unless the employee has already given you a completed form)
- circle the STC tax code
- attach the IR 23 to the IR 330.

**If the IR 23 is addressed "to whom it may concern"** you need to:

- print the employee's name and IRD number on an IR 330 (unless the employee has already given you a completed form)
- circle the STC tax code at number 4
- photocopy the IR 23 and attach it to the IR 330
- return the original IR 23 to the employee.

### Making deductions

#### Employees with no student loan

Where the holder of the IR 23 does not have a student loan, calculate their tax by adding the PAYE and any earner premium deduction rates shown on the IR 23 together, then multiply the employee's gross pay by this combined rate. This is the amount of tax to deduct.

#### Employees with a student loan

If the holder of the IR 23 has a special student loan deduction rate, multiply their gross income by the special rate shown on the IR 23 to calculate the student loan deduction required. Their PAYE will either be deducted at a special rate, if one is shown on the IR 23, or in accordance with the tax code

shown on the IR 23. The tax code will be either M SL, S SL or SH SL. As they have a special deduction rate for their student loan, you do not need to use the student loan deduction column in the PAYE tables. Deduct PAYE using the M, S or SH rates shown in the tax tables, then add the student loan deduction calculated.

### What tax code goes on the Employer monthly schedule (IR 348)?

- If the IR 23 shows a special rate for PAYE deductions then show STC in the tax code box on your *Employer monthly schedule*.
- If the IR 23 shows a special deduction rate for student loans then use the tax code shown on the IR 23 on your *Employer monthly schedule*. This code should be M SL, S SL or SH SL.
- If the IR 23 shows a special rate for PAYE deductions and student loans then show STC in the tax code box on your *Employer monthly schedule*.
- If the IR 23 shows a special rate for withholding tax deductions show WT on your *Employer monthly schedule*.

### Withholding payments

Withholding payments are payments made to people who are not employees but who are employed on a contract-for-service basis. See page 5 for information to help you work out who is an employee.

The Income Tax (Withholding Payment) Regulations 1979 specify what activities are subject to withholding tax. These activities are taxed at a flat rate of withholding tax. The main activities, and the tax rate for each, are listed in the PAYE deduction tables and on the back of the IR 330. If you are paying someone to do one of the types of work listed you must deduct withholding tax from the payments.

Withholding tax is deducted even if the worker is registered for GST. The only exception is if they provide a *Certificate of exemption* (see page 14).

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

**Note:** Do not deduct earner premium and student loan repayments from withholding payments. In these circumstances this is the worker's responsibility, not yours.

Do not deduct tax from withholding payments made:

- for work done or services given by a public, local or Maori authority, or
- to any company (except for non-resident entertainers or non-resident contractors), or
- to a holder of a current *Certificate of exemption (IR 331)*.

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

If the worker gives you a tax invoice, work out and deduct withholding tax on the amount excluding GST.

For example, say you receive a tax invoice showing:

Cost	\$ 500.00
<i>plus</i> GST	<u>\$ 62.50</u>
GST inclusive	\$ 562.50
<i>less</i> withholding tax (20% of \$500)	<u>\$ 100.00</u>
Net payment	\$ 462.50

You would deduct withholding tax from the \$500 and show the \$500 as the gross payment on the *Employer monthly schedule (IR 348)*.

Show a WT tax code when completing the *Employer monthly schedule (IR 348)* for a withholding payment recipient.

## If a worker has a certificate of exemption (IR 331)

People who are in business for themselves, and who are subject to withholding tax, can apply to Inland Revenue for a *Certificate of exemption*.

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

*Certificates of exemption* are issued for one year only, and must be renewed by 1 April each year.

### Checking the IR 331

When you are shown a *Certificate of exemption*, you must check that it is valid and current.

The work the person is doing for you must be the same as the work shown on the certificate. For example, if the certificate gives an exemption from freelance journalism income, and you hire the person as a theatre prompt, the payments you make are not exempt.

If the certificate is valid, do not deduct withholding tax from payments you make to the holder.

If the certificate is not valid or current, the worker must complete an IR 330 tax code declaration. You must deduct withholding tax from payments you make.

You do not need to include tax exempt payments on your *Employer monthly schedule (IR 348)*. However, you must keep a record of these payments.

It is a good idea to keep a record of the certificate of exemption number, in case Inland Revenue reviews your records. This is located in the bottom right-hand corner of the certificate.



**Inland Revenue**  
Te Tari Taake

**IR 331**

*Example Only*

## Certificate of exemption

Name Paul Ittelham  
41 Moore Road  
WELLINGTON

IRD number 02866155

**This is to certify** that tax is **not** to be deducted from any payment made to you in connection with your business/profession of:  
Shearing contractor

for the period from 1 April 1999 to 31 March 2000

Note: 1. When this certificate expires, please return it to Inland Revenue whether or not you want a new one.  
2. If Inland Revenue cancels this certificate, you must return it within five working days of cancellation.

Address all correspondence to:  
Inland Revenue  
PO Box 000  
WELLINGTON

To validate this certificate, sign below and have your signature witnessed by an independent person.

Signature of applicant  
[Signature] 31 4 | 99  
Date

Signature of issuing officer  
[Signature] 31 4 | 99  
Date

Signature of witness  
[Signature] 31 4 | 99  
Date

Certificate number  
999999

## Superannuation fund contributions

A specified superannuation contribution is any contribution to a superannuation fund that an employer makes for the employees' benefit. If your employees ask you to make deductions from their wages and pay them to a superannuation scheme, these are not specified superannuation contributions.

Any contribution an employer makes to a superannuation fund for the benefit of an employee is liable for tax.

The contribution is either:

- taxed at the withholding rate of 33 cents in the dollar, (known as specified superannuation contribution withholding tax (SSCWT)), or
- treated as salary or wages of the employee and taxed at the employee's personal tax rate (if the employer and the employee agree).

A "superannuation fund" is a scheme which has been registered under the Superannuation Schemes Act 1989.

### FOR MORE HELP

To check whether your fund is liable for withholding tax, contact your fund manager.

### Specified superannuation contribution withholding tax (SSCWT)

An employer is required to make a deduction of SSCWT of 33% at the time of making any specified superannuation contribution. If an employer fails to make a deduction as required then the SSCWT is worked out on the "grossed-up" amount of the specified superannuation contribution. To calculate the withholding tax use the formula:

$$SSCWT = \frac{a}{1 - a} \times b$$

Where:

- a is the rate of SSCWT, and
- b is the actual amount paid to the fund.

The "grossed-up" contribution is then:

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

**Example**

An employer made a contribution of \$1,000 to a superannuation fund. The amount of SSCWT to be paid is (using the formula):

$$\text{SSCWT} = \frac{0.33}{0.67} \times \$1,000 = \$492.53$$

The gross superannuation contribution is:

The amount received by the superannuation fund	\$ 1,000.00
Plus the withholding tax on that amount	\$ 492.53
Grossed-up contribution	\$ 1,492.53

Withholding tax on \$1,492.53 at 33 cents in the dollar is \$492.53. This is the tax on the grossed-up contribution. The SSCWT is deducted from the grossed-up contribution.

**Paying the SSCWT to Inland Revenue**

Pay any SSCWT deducted with your PAYE deductions by the due date.

You must let us know if you are paying SSCWT, so we can send you an *Employer deductions (IR 346)* form to return with your payments (see page 22). Enter the amount of SSCWT deducted for the period in Box 6 on the IR 346. If you have the wrong form, phone Inland Revenue on 0800 377 772.

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

If employers agree, employees can elect to have all or part of the value of the employer superannuation contribution included in their gross salary and wages and taxed at their personal tax rates. This will benefit employees whose effective marginal tax rate is less than 33%. It needs to be made clear to employees that the classification of this amount as salary and wages will have an impact on their family assistance entitlement, the amount of child support they pay and their student loan repayments. It is important that employees understand this and that they can revoke their election at any time.

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

Contributions treated as salary and wages are subject to earner premium (included in the PAYE deduction tables) and the employer will be liable for ACC residual claims levy payments on the gross amount.

**ACC residual claims levy**

On behalf of the Accident Compensation Corporation (ACC), Inland Revenue collects a residual claims levy from employers each year to cover the ongoing costs of all work injury claims made before 1 July 1999 and non-work injury claims made before 1 July 1992.

We will send you an *ACC residual claims levy statement (IR 68A)* in March of each year along with an *ACC residual claims (ACC 450)* booklet. This statement and payment must be completed and returned by 31 May of each year. For more information about this phone us on 0800 377 772.

Payment of the residual claims levy does not provide work accident cover. From 1 July 1999, all employers must hold private work accident insurance to cover their employees. For more information on private work accident insurance phone the Department of Labour on 0800 862 466.

# Part 2 – Records

## Records you need to keep

Keep all wage records for at least seven years, including all pay sheets and PAYE deduction payment receipts. Your records must be in English. However, you can write to Inland Revenue for approval to use another language for your records.

You must keep full and accurate wage records. Cheque butts are not sufficient. You can get specially designed wage books from stationery shops.

**Note:** If you have a computer payroll system you must keep the same records as for a manual one. You may keep your records stored on computer disk. However, you must be able to print them out if Inland Revenue requires you to. You must keep all business records for seven years, whether on disk or paper.

You may find these hints useful:

- Start a fresh page in your wage book as soon as an employee starts work with you, or at the beginning of each tax year. Make sure your employee gives you the personal details you need.
- Keep a separate page for each employee, even if the employee was only employed for one day.

Complete all the wage details each payday.

Show:

- total gross earnings, including taxable allowances (this is the amount before PAYE is deducted)
- the amount of PAYE deductions
- any child support deductions
- any student loan deductions
- any SSCWT (see page 15)
- the value of tax-free reimbursing allowances.

### Wage book

(a) Name <i>Timote Parraone</i>	Employee's IRD No <i>02-123-456</i>
(b) Address <i>890 Adelaide St, Petone</i>	Employee's tax code <i>M SL</i> Date applied <i>1/4/1999</i>
(c) Occupation <i>Builder</i>	Annual holidays Start date      Finish date
(d) Date started <i>14 February 1999</i>	AC Levy/ Class No

Week ending	Gross pay		PAYE calculated		Child support deductions		Student loan deductions		Total deductions	Net after tax and deductions	Non taxable allowances	Net pay to worker
	For week	For month	For week	For month	For week	For month	For week	For month				
<i>5/5/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>12/5/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>19/5/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>26/5/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>May 99</i>		<i>1,397.40</i>		<i>268.84</i>				<i>26.40</i>	<i>295.24</i>	<i>1,102.16</i>	<i>14.24</i>	<i>1,116.40</i>
<i>2/6/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>9/6/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>16/6/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>23/6/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>30/6/99</i>	<i>349.35</i>		<i>67.21</i>				<i>6.00</i>		<i>73.81</i>	<i>275.54</i>	<i>3.56</i>	<i>279.10</i>
<i>June 99</i>		<i>1,746.75</i>		<i>336.03</i>				<i>33.00</i>	<i>369.03</i>	<i>1,377.70</i>	<i>17.80</i>	<i>1,395.50</i>

### Monthly Summary of Wages and Tax Deductions

For month ending *30 June 1999*

Employee's name	Gross pay	PAYE calculated	Child support deductions	Student loan deductions	Total deductions	Net after tax and deductions	Non taxable allowances	Net pay to employee
<i>Ross Davies (12-173-142)</i>	<i>1,540.00</i>	<i>346.06</i>			<i>346.06</i>	<i>1,193.94</i>	<i>100.00</i>	<i>1,293.94</i>
<i>Tim Parraone (02-123-456)</i>	<i>1,746.75</i>	<i>336.03</i>		<i>33.00</i>	<i>369.03</i>	<i>1,377.70</i>	<i>17.80</i>	<i>1,395.50</i>
	<i>3,286.75</i>	<i>682.09</i>		<i>33.00</i>	<i>715.06</i>	<i>2,571.74</i>	<i>117.80</i>	<i>2,688.54</i>

- Summarise the details for each employee at the end of each deduction payment period. This will be either twice-monthly or monthly, depending on whether you are a “large” employer or a “small” employer. See page 19.
- Keep a summary sheet which shows, for each deduction period, the following totals:
  - gross wages
  - PAYE deductions
  - child support deductions
  - student loan deductions; and
  - SSCWT.

The information in your wage book will help you fill in each IR 345 or IR 346 form (see page 22), and *Employer monthly schedule (IR 348)* (see page 24) and your end-of-year IR 68A residual claims levy statement.

## Computer payroll systems

### Tax code declarations

All new employees must complete an IR 330 tax code declaration when they start working for you. A new declaration must also be completed if an employee wishes to change their tax code.

It is not necessary for your employees to complete a new declaration every year providing their tax code remains the same (see transitional provisions below, which apply to the 2000 tax year). Each employee needs to read the notes on the IR 330 to work out their correct tax code.

People who use a special tax code will need to complete a new IR 330 declaration if their tax code changes. See page 12.

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

If you need extra forms you can photocopy them or order them through INFOexpress (see page 49).

### Transitional provisions – 2000 tax year

As you use a computer payroll system, your employees don't need to complete an IR 330 declaration for the year commencing 1 April 1999 if they are on a G or G ED tax code or received withholding payments for the year ended 31 March 1999. These codes can be automatically rolled over to the new tax codes M, M SL or WT. If any employees want to change their tax codes, they must complete an IR 330.

### Employer monthly schedules (IR 348)

Some employers who use a computer payroll system may be required to, or may choose to file their *Employer monthly schedule (IR 348)* electronically. For more information on this please refer to page 27.

If you do not file electronically you must complete the IR 348 Inland Revenue sends you. You may not produce your own schedules.

If you would like to find out more about using a computer payroll system, please contact the Magmedia Team at National Office:

E-mail: [magmedia@ird.govt.nz](mailto:magmedia@ird.govt.nz)

Telephone: (04) 498 9604 or (04) 498 9605

Fax: (04) 498 5804.

## Paying deductions to Inland Revenue

You must pay all the deductions you make from your employees' wages to Inland Revenue by the due date.

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

### Example

20 June 1999 is a Sunday, so the due date for payment is Monday 21 June 1999.

“Large” employers (see page 19) pay their PAYE and other deductions to Inland Revenue twice-monthly. “Small” employers pay once a month. Whether you are a large or small employer depends on your gross annual PAYE

deductions. Gross annual PAYE deductions are the total PAYE deductions made, including any SSCWT deductions, but excluding earner premium, student loan repayments, and child support.

Inland Revenue sends you an Employer deductions (IR 345) or (IR 346) form before the due date for each payment. Fill in this form with the details for the period, and send it in with your payment. See page 22 onwards for more information about the IR 345 and IR 346.

We will also send you an *Employer monthly schedule (IR 348)* each month. See page 24 for more information.

### Are you a small employer?

If your gross annual PAYE deductions are **less than \$100,000** you are a “small” employer. You must pay PAYE to Inland Revenue **monthly**. PAYE deducted in one month is due by the 20th of the following month.

*Example*

An employer pays wages fortnightly on Thursdays.

Period PAYE deducted	Due date
June 1999 (two paydays) 3 June and 17 June 1999	20 July 1999

### Are you a large employer?

If your gross annual PAYE deductions were **\$100,000 or more** in the previous year ended 31 March, you are a “large” employer.

New employers become a large employer if their gross annual PAYE deductions go over \$100,000 in the first year of employing.

Large employers must pay the deductions:

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

*Example*

Period PAYE deducted	Due date
1 June 1999 to 15 June 1999	20 June 1999
16 June 1999 to 30 June 1999	5 July 1999
1 July 1999 to 15 July 1999	20 July 1999
16 July 1999 to 31 July 1999	5 August 1999

Any payments not received by the due date will be liable for a late payment penalty and interest (see page 37). If you fail to account for PAYE by the due date we may also charge you shortfall penalties or you could be prosecuted and fined (see page 38).



**Note:** The following are treated as one employer in deciding whether you are a “large” employer:

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

### New employers

If your gross annual PAYE deductions go over \$100,000 at any time during the first year of employing, you must contact Inland Revenue. We will send IR 345 (or IR 346) forms so you can pay twice-monthly. You will also need to register for electronic filing. See page 27 for more information.

#### Example 1

Helen Highwater Ltd starts employing on 15 April 1999. PAYE deductions go over \$100,000 on 7 October 1999.

Period PAYE deducted	Due date
1 October to 15 October 1999	20 October 1999
16 October to 31 October 1999	5 November 1999
1 November to 15 November 1999	20 November 1999
16 November to 30 November 1999	5 December 1999

#### Example 2

The due dates would be slightly different if Helen Highwater Ltd’s PAYE deductions exceeded \$100,000 on 21 October 1999.

Period PAYE deducted	Due date
1 October to 31 October 1999	5 November 1999*
1 November to 15 November 1999	20 November 1999
16 November to 30 November 1999	5 December 1999
1 December to 15 December 1999	20 December 1999

\* As the PAYE deductions exceeded \$100,000 on 21 October 1999, the twice-monthly rules apply from that pay period. PAYE deducted in the next pay period (1 November 1999 to 15 November 1999) must be paid to Inland Revenue on the 20th of the same month.

## Large employers with other pay periods

Deciding on the payment due dates is not clear cut in some cases. In all the following situations, the due dates are:

- The 20th of the month in which the deductions were made (for deductions made between the 1st and the 15th of the month).
- The 5th of the month following the month the deductions were made (for deductions made between the 16th and the end of the month), except for the second period of December which is due on 15 January following.

**Salary and wages paid once a month on the same day each month**

Deductions are paid once a month to Inland Revenue. On request, Inland Revenue is able to send only one IR 345 or IR 346 per month. The due date depends on the date of deduction.

**Salary and wages paid every four weeks**

Generally, deductions have to be paid to Inland Revenue once a month. However, there may be occasions when deductions are paid to Inland Revenue twice a month. This is because the payday falls on a different day each month.

*Example*

Date wages paid	PAYE period ending	Due date
20 July 1999	30 July 1999	5 August 1999
17 August 1999	31 August 1999	5 September 1999
14 September 1999	15 September 1999	20 September 1999

**Salary and wages paid every three weeks**

Deductions may have to be paid to Inland Revenue once or twice a month, depending on which day in the month the payday falls.

*Example*

Date wages paid	PAYE period ending	Due date
16 June 1999	30 June 1999	5 July 1999
7 July 1999	15 July 1999	20 July 1999
28 July 1999	31 July 1999	5 August 1999
18 August 1999	31 August 1999	5 September 1999

**Salary and wages paid irregularly**

The due date for paying the deductions depends on the date you pay wages. Remember that if you do not pay wages in any period, you must still send in a nil IR 345, IR 346 and IR 348 (see page 22).

## Employer deductions (IR 345) and (IR 346) forms

We send you an IR 345 form before you have to make each payment. This is for you to record the deduction details and send them with your payment. If you are registered with us as a payer of SSCWT, you receive an IR 346 form instead. Read these notes about the IR 345, as they also apply to the IR 346. The IR 346 has one extra box for entering the SSCWT deductions.

Fill in the details on the IR 345, and send it to Inland Revenue with your payment.

If you do not receive an IR 345 (or IR 346) in time, you must still make your payment. Send a note with your payment which shows the IR 345 details as well as your name and IRD number.

### Completing the IR 345

Fill in the details on the green part (Inland Revenue copy) of the form first. Enter the following details for the period covered by the IR 345.

#### **PAYE deductions and withholding tax (Box 3)**

Print the total PAYE deducted from your employees' gross earnings during the period.

Also include withholding tax deductions in this box.

#### **Child support deductions (Box 4)**

From your wage book, add up the total child support deductions made for all employees for the period and enter the figure in Box 4.

#### **Student loan deductions (Box 5)**

From your wage book, add up the total student loan deductions made for all employees for the period and enter the figure in Box 5.

#### **Total deductions payable (Box 6)**

Add up all the deductions made during the period and show this figure in Box 6. This is the amount to pay to Inland Revenue. Transfer these amounts to the white part of the form (your copy).

### Nil IR 345 or IR 346

If you do not pay salary or wages in any period, send in a **nil** IR 345 (or IR 346). If you don't send one in, Inland Revenue will ask you to explain why you haven't made payment. Also send in any schedules (IR 348) with preprinted details.

Complete the IR 345 (or IR 346) showing the period no PAYE was deducted and fill in with the word "nil". Sign it and send it to Inland Revenue in the envelope provided, along with any IR 348 schedules.

If you have ceased employing please refer to page 28.

### Completing the IR 346

If our records show that you pay specified superannuation contribution withholding tax (SSCWT), we send you an IR 346 form instead of an IR 345. The only difference between the two returns is in the details at Box 6.

#### **SSCWT deductions (Box 6)**

Enter the total SSCWT deducted during the period (see page 15).

The total deductions payable goes in Box 7. This includes the SSCWT in Box 6.



# Employer deductions

Example Only IR 345  
November 1998

For enquiries please contact: Telephone 0800 377 772, INFOexpress 0800 257 773, Website http://www.ird.govt.nz

Champion Car Repairs Ltd  
5 Parkhill Grove  
Tauranga

IRD number **1** 01-476-829  
Period ended **2** 30 June 1999

These will be preprinted.

PAYE deductions and withholding tax	<b>3</b>	\$	1 5 8 3 . 8 4
Child support deductions	<b>4</b>	\$	.
Student loan deductions	<b>5</b>	\$	1 4 8 . 0 0
<b>Total deductions payable</b> Add Boxes 3, 4 and 5.	<b>6</b>	\$	1 7 3 1 . 8 4

## Your copy

Keep the white top part for your records.

▲ Tear off here. Send the green part to Inland Revenue.

IR 345



## Inland Revenue copy

Champion Car Repairs Ltd  
5 Parkhill Grove  
Tauranga

IRD number **1** 01-476-829  
Period ended **2** 30 June 1999

**OFFICE USE ONLY**

Operator code  Corresp. indicator  Payment attached  Return cat.

98765432198W

PAYE deductions and withholding tax	<b>3</b>	\$	1 5 8 3 . 8 4
Child support deductions	<b>4</b>	\$	.
Student loan deductions	<b>5</b>	\$	1 4 8 . 0 0
<b>Total deductions payable</b> Add Boxes 3, 4 and 5.	<b>6</b>	\$	1 7 3 1 . 8 4

Totals from Employer monthly schedule.

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

Signature *McConern* 15/ 7/ 99  
Date

Has payment been made electronically? (Tick one)  Yes  No

This is the amount to pay to Inland Revenue.



## Payment slip

DED

Champion Car Repairs Ltd

IRD number 01-476-829  
Period ended 30 June 1999

This return and any payment are due  
20 July 1999

Copy your total from Box 6 to Box 7 and include any late payment penalties and interest, for this period only.

Amount of payment **7** \$ 1 7 3 1 . 8 4

<987> <65432198W> <XXX> <998877665544>



## The Employer monthly schedule (IR 348)


Once a month you must complete an *Employer monthly schedule (IR 348)*, which has details of your employees' gross wages and deductions made.

Monthly payers (small employers) will file their schedule at the same time as their *Employer deductions (IR 345)* or *(IR 346)*. This is due on the 20th of the month following the month of deduction. See page 19.

**Large employers (usually twice-monthly payers) will file their schedule once a month on the 5th of the following month**, which is at the same time as the payment for the period 16th to the end of the month. The schedule will include details of wages paid and deductions made for the whole month. Large employers are required to file their schedules electronically unless they have an exemption approved by Inland Revenue. See page 27 for more information on electronic filing.

Each month, Inland Revenue will send the schedule to all employers who do not file electronically. On your first schedule you will need to enter each employee's name, IRD number and tax code. After that, we will preprint this information on the schedules and you will only need to enter details of any new employees.

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



Inland Revenue  
Te Tari Taake

## Employer month

Champion Car Repairs Ltd

Employee deduction details										Start/finish date		
<i>This form must be returned to Inland Revenue</i>										Day	Month	Year
Full name	Surname Champion	First name(s) Bruce	Start			Finish						
IRD number	0 2 3 4 5 6 7 8	Tax code	M									
Full name	Surname Cameron	First name(s) Margaret	Start			Finish						
IRD number	0 3 5 4 3 8 1 2	Tax code	M									
Full name	Surname Capstick	First name(s) Andrew	Start			Finish			190699			
IRD number	0 1 2 3 4 5 6 7	Tax code	M SL									
Full name	Surname Clooney	First name(s) Stacey	Start			Finish						
IRD number	0 7 3 9 5 1 1 1	Tax code	S									
Full name	Surname	First name(s)	Start			Finish						
IRD number		Tax code										
Full name	Surname	First name(s)	Start			Finish						
IRD number		Tax code										
Full name	Surname	First name(s)	Start			Finish						
IRD number		Tax code										

If your correct daytime phone number is not shown below, print in the box

(07) 022 1333 ( )

If your correct payroll clerk name is not shown below, print in the box

M Cameron

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

Signature

M Cameron

Date

15/ 7/ 99

You fill in the following monthly details for each employee:

**Full name**

Surname, then first name eg Champion, Bruce. Complete this if the employee has started working for you during the month and their name does not appear elsewhere on the schedule.

**IRD number**

Complete this if the employee has started working for you during the month and their details do not appear elsewhere on the schedule. Use the IRD number the employee has given you on the IR 330 tax code declaration.

# ly schedule

Example Only

IRD number **1** ▶ 01-476-829

For the period ending **2** ▶ 30 06 1999

This schedule is due **20th July 1999**

Page: 1 of 2

Gross earnings	Earnings not liable for earner premium (ACC)	Tick if lump sum payment taxed at low rate	<b>3</b> PAYE/ withholding tax	<b>4</b> Child support	<b>5</b> Student loan
\$ 2,846.00	\$ .00	<input type="radio"/>	\$ 593.20		
\$ 1,655.00	\$ .00	<input type="radio"/>	\$ 326.20		
\$ 2,615.00	\$ .00	<input type="radio"/>	\$ 541.24		\$ 148.00
\$ 550.00	\$ .00	<input type="radio"/>	\$ 123.20		
\$ .00	\$ .00	<input type="radio"/>			
\$ .00	\$ .00	<input type="radio"/>			
\$ .00	\$ .00	<input type="radio"/>			
<b>Total gross earnings</b>	<b>Total earnings not liable for earner premium (ACC)</b>		<b>3 Total PAYE/ withholding tax</b>	<b>4 Total child support</b>	<b>5 Total student loan</b>
\$ 7,666.00	\$ .00		\$ 1,583.84		\$ 148.00

95787654783333B

OFFICE USE ONLY Operator code  Corresp. indicator  Payment attached  Return cat.



### Tax code

Complete this if the employee has begun working for you during the month and their details do not appear elsewhere on the schedule. Use the tax code the employee has given you on the *Tax code declaration (IR 330)* (or the tax code shown on the *Special tax code or deduction rate (IR 23)*—see page 12). If an existing employee tells you during the month that they have changed their tax code, don't forget, when completing your *Employer monthly schedule*, to cross out the old preprinted one and write in the new one.

### Start/finish date

If the employee has started or finished working for you during the month show the relevant start and/or finish date. The start date is the actual date the employee starts working for you. The finish date is the earlier of the date when the employee actually stopped working for you or the date they received their final pay.

If an employee started and stopped working for you within the month, you will need to show both dates on the schedule.

After a finish date has been entered, the employee's name won't be shown again. If a future finish date is shown, the name will appear until after the finish date shown passes.

**Gross earnings**

Write the total gross earnings paid to each employee during the month. Include bonuses, backpay, taxable allowances, and withholding payments (except where no tax has been deducted because the employee has a certificate of exemption —see page 14). Show whole dollars only.

**Earnings not liable for earner premium (ACC)**

For each employee, write the amount of any earnings not liable for ACC earner premium. The following payments are not liable for earner premium:

- withholding payments
- redundancy payments
- retiring allowances
- student allowances
- various pensions and benefits paid by Work and Income NZ
- pensions from schemes not registered under the Superannuation Schemes Act 1989.

**Lump sums taxed at lower rate**

Tick the circle if a lump sum was paid and taxed at the lower rate. Lump sum payments such as annual or special bonuses, gratuities, or back pay are “extra emolument” payments and can be taxed at two different rates. See page 31 for more information on the lump sum rates.

**PAYE/withholding tax**

Write the total PAYE deducted from each employee's gross earnings for the month. Also include withholding tax deductions in this box.

**Child support**

Write the total child support deductions made from each employee's gross earnings for the month. You may also need to fill in the child support (CS) code. See the next column for an explanation of these.

**Student loan**

Write the total student loan repayment deductions made from each employee's gross earnings for the month.

**Finally...**

At the bottom of each page, add up each column and put the total in the boxes provided. If there is more than one page of the schedule, you can either total each page, or do one total on the last page of the schedule.

Check the preprinted contact telephone and name details, and make any necessary changes. Sign and date the schedule.

**Child support codes**

It is important that you complete the child support code on the IR 348 schedule because this tells us of any differences in the amount you deduct. This is because we keep a record of the amount we expect from each employee for a month.

You can find the expected deduction on the CS 503 notice (see page 10). If you deduct a different amount, please fill in a code on the IR 348.

Use one of the following codes:

**A – Payment in advance**

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

**C – Ceased employment**

If an employee stops working for you, deduct child support only from the last full pay you gave them, and from any holiday pay owed. Enter “C” as the variation code, so we can remove the employee from your records. If an employee stops then restarts working for you within the same month, do not use this variation code.

**D – Previously deducted**

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

**O – Other**

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

**P – Protected earnings**

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

**S – Short-term absences**

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

**FOR MORE HELP**

If you have any questions about filling in the child support part of the IR 348 schedule, phone Inland Revenue Child Support on 0800 221 221.

**Electronic filing – ir-File**

Employers whose annual PAYE deduction payments are \$100,000 or more (large employers), are required to file their *Employer monthly schedule (IR 348)* electronically each month. Electronic filing is optional for other employers.

"ir-File" is the fast, convenient method of sending your *Employer monthly schedule* to Inland Revenue through the internet. It has these benefits:

- less paper work
- fewer opportunities for data entry errors
- sending your information straight from your desk to Inland Revenue
- filing outside normal business hours
- easier records storage.

There are limited exemptions available to employers who must file electronically. The main one is if you have 100 or fewer employees in the 1998/1999 income year and if there are material costs to you in meeting the electronic filing requirement. From the 1999/2000 income year the threshold will be lowered to 50 employees.

There are other circumstances which may entitle you to an exemption. To find out more about this phone us on 0800 377 772.

For more information on electronic filing, see our website [www.ird.govt.nz](http://www.ird.govt.nz) to read our pamphlet *ir-File – Explaining electronic filing (IR 343)*.

**How to pay your deductions**

**Ways to pay**

There are several ways to make your payment.

- Post a cheque with your payment slip in the reply envelope provided. Please make cheques payable to Inland Revenue and cross them "not transferable". Do **not** send cash.
- Pay electronically—see below.

More information about payments is available in our pamphlets *Electronic payments to Inland Revenue (IR 87A)* and *Making payments to Inland Revenue (IR 87C)*.

**Electronic payments**

If you are paying your PAYE electronically, you'll need these details.

Particulars—enter your IRD number, eg:

0	1	2	3	4	5	6	7				
---	---	---	---	---	---	---	---	--	--	--	--

Payee code

0	0	0	T	A	X	P	A	Y			
---	---	---	---	---	---	---	---	---	--	--	--

for PAYE only

0	0	0	T	A	X	D	E	D			
---	---	---	---	---	---	---	---	---	--	--	--

for combined payments of PAYE, child support, student loan or SSCWT.

Reference—enter period ended date of the *Employer deductions* form in this format (not the due date)

0	0	M	M	Y	Y	Y	Y				
---	---	---	---	---	---	---	---	--	--	--	--

**Example**

3	1	0	8	1	9	9	8				
---	---	---	---	---	---	---	---	--	--	--	--

Please leave boxes blank, as shown above. If you do not enter the details in this exact format, we will not be able to process your payment. Remember, you must still file your return. Please show on the IR 345/IR 346 that you are paying electronically.

## Employee stops working for you

You must show each employee's finish date on the *Employer monthly schedule (IR 348)*.

### Employee rehired in the same year

If an employee stops working for you, and is re-hired in the same year ended 31 March, you must get another IR 330. You will also need to show the employee's start date on your *Employer monthly schedule (IR 348)*.

### Employee on transfer

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

- The **old branch** treats the transfer as if the employee has stopped work.
- The **new branch** must get the employee to fill in another IR 330 and will show the employee's start date on their *Employer monthly schedule (IR 348)*.

If both branches pay wages for the pay period in which the transfer takes place, the new branch should work out the PAYE on the employee's total wages. Allow a credit for the PAYE deducted by the old branch.

Neither branch needs to enter the employee start and finish dates on the IR 348, as the employee is still with the same company.

If the employee is paid from a central or head office, that office continues deducting PAYE from the employee's earnings. The employee does not need a new IR 330.

## If you permanently stop paying wages

**If you have stopped paying wages permanently, let Inland Revenue know, even if your business is still going.**

- You must show a finish date for each employee on the *Employer monthly schedule (IR 348)*.
- You must also complete an *ACC Residual claims levy statement (IR 68A)* for the period 1 April to the date you stopped employing. This is due with your payment by 31 May after the end of the financial year in which you stopped employing.

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

Shareholder-employee salaries with no tax deducted are included in the company's IR 4 tax return.

## If you have stopped business

If you have stopped or are about to stop business altogether, you must also let Inland Revenue know by completing a *Business cessation form (IR 595B)*. You can request this through our INFO express service (see page 49 for details).

You must complete the IR 348 and IR 68A. Where you have ceased business altogether your IR 68A and payment is due by the 15th of the second month after the month in which you stopped business.

### Example

Errol Plane's travel agency stopped business on 18 June 1999. He has to send in an IR 345 form and IR 348 schedule by 20 July 1999 and the IR 68A form by 15 August 1999. If the travel agency paid twice-monthly, the IR 345 and IR 348 would be due on 5 July 1999.

## Running totals

Running totals are your gross earnings and PAYE deductions since 1 April. You get this information by ringing INFOexpress, see page 49. The totals given are "as at" a certain date and may not include all PAYE payments that you have sent in, if the details from your last *Employer monthly schedule (IR 348)* were not recorded when you telephoned.

Student loan deductions and child support deductions are not included.

If you need more information or would like to query the totals, phone us on 0800 377 772.

## Part 3 – Other payments

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

**The PAYE deduction rates used in the examples in this guide are correct at 1 April 1999. To find out the current PAYE deduction rates, check the PAYE deduction tables.**

### Allowances

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

- an industrial collective or agreement, or
- an agreement made between the employer and employees. This is commonly known as an in-house agreement.

Taxable allowances must have PAYE deducted, along with the employee's wages. If you do not do this, you could be liable for the PAYE that should have been deducted, as well as penalties. Include the total taxable allowances with your employees' gross wages amount on your IR 348 schedule.

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

You do not need to apply for our approval to pay tax-free allowances to your employees. You can decide for yourself (using our guidelines) whether the allowance you want to pay will be tax-free or not. To help you work this out we have set out the three types of allowances commonly paid. They are:

- benefit allowances
- reimbursing allowances, and
- travelling allowances.

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

### Benefit allowances

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

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

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

#### Example

Market value of accommodation	\$ 150 per week
Less rent paid	\$ 90 per week
Value to be added to wages and taxed	\$ 60 per week

If the employee paid no rent, the value to be taxed would be \$150 per week.

Any allowance which you pay to an employee instead of providing them with accommodation is fully taxable.

### Reimbursing allowances

Reimbursing allowances are payments made to employees to compensate them for expenses they have had while doing their job—such as meal allowances, mileage allowances or tool money.

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

### Travelling allowances

A cash allowance paid to an employee for travel between home and work may be tax free. It is tax free if the amount paid reimburses an employee's additional transport costs and one or more of the following special circumstances exist:

- The employee is working outside the normal hours of work (for example, overtime, shift or weekend work).
- The employee needs to transport work-related tools and equipment—for example, the employee normally takes the bus to work but has to use some other type of transport in order to carry work-related gear.
- There is a temporary change in workplace.
- The employee is travelling to fulfil an obligation for the employer.
- There is some other condition of the employee's job.
- There is no adequate public transport system serving the workplace.

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

#### Example

*20 km @ 62 cents for each km	\$ 12.40
Less usual transport costs	\$ 6.00
Additional transport costs	\$ 6.40

In this example \$6.40 is payable tax-free. If more than this is paid the excess is taxable. Deduct PAYE from any excess amount along with the employee's salary or wages.

For cases where there is no adequate public transport, the usual cost of travel between the employee's home and the place of work is set at \$5 a day.

\* Inland Revenue's mileage rates can be used if the actual cost per kilometre is not available. You can get a copy of the mileage rates from our website [www.ird.govt.nz](http://www.ird.govt.nz) or phone us on 0800 377 772.

#### Example

20 km @ 62 cents for each km	\$ 12.40
Less set cost	\$ 5.00
Additional transport costs	\$ 7.40

In this example \$7.40 is payable tax-free. If more than this is paid, the excess is taxable. Deduct PAYE from any excess amount along with the employee's salary or wages

**Note:** If your employee travels more than 70 km a day you must explain to Inland Revenue why this travel is necessary for the purposes of the additional transport cost calculation.

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

Any allowance paid that covers an employee's usual travel costs between home and work is taxable. Deduct tax with the salary or wages you pay them.

### GST on allowances

You can claim a GST credit for reimbursement of an employee's actual expenses if the employee incurs the expenditure in the course of your business and, if you are registered for GST. You must hold a correct GST tax invoice to claim the credit, except for amounts up to \$50 for which you must retain details of the actual expenditure incurred.

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

## Lump sums

Lump sum payments which are paid as annual or special bonuses, retiring or redundancy payments, gratuities, or back pay are “extra emolument” payments.

There are two tax rates for lump sums, which are shown in the current tax tables. ACC earner premium is added to these rates, except for retiring or redundancy payments, which are not liable for ACC.

If your employee’s annual salary or wages plus the lump sum will be more than \$38,000, you **must** deduct tax at the high rate. This means that your employee will be less likely to have a large tax bill at the end of the year from an under-taxed lump sum payment.

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

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

If the lump sum is taxed using the low rate, tick the box on the *Employer monthly schedule (IR 348)* to show this.

Any lump sums paid regularly or any lump sums for overtime are not extra emolument payments. The lump sum amount is added to the employee’s gross wages, and PAYE is deducted from the total using the PAYE tables.

If the employee uses an M SL, S SL or SH SL code, you will also have to deduct student loan repayments from lump sum payments.

### Example

Chris has a student loan. He receives a Christmas bonus of \$640 (gross). The PAYE, at the low lump sum rate of 22.4 cents in the dollar including earner premium, is \$143.36. The student loan deduction is \$64 (10 cents in the dollar).

The net bonus paid to Chris is:

Gross bonus	\$ 640.00
Less PAYE	\$ 143.36
Less student loan deductions	\$ 64.00
Net bonus	\$ 432.64

## Bonuses – annual or special

Bonus payments which you make irregularly, such as Christmas bonuses, are taxed at the lump sum rate (refer to the PAYE deduction tables for the current lump sum rates).

If the employee uses an M SL, S SL or SH SL code, you will also have to deduct student loan repayments from the bonus.

### Paying a net bonus

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

### Example – M, ML, S or SH codes

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

1. Deduct the lump sum PAYE rate from \$1  
 $(\$1 - 22.4 \text{ cents}) = 77.6 \text{ cents}$
2. Multiply the net payment by 100/77.6 cents  
 $(\$60 \times 100/77.6) = \$ 77.32$
3. The gross bonus is \$ 77.32

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

Gross bonus	\$ 77.32
Less PAYE deduction (at 22.4 cents)	\$ 17.32
Net bonus	\$ 60.00



**Example – M SL, S SL or SH SL codes**

The employee's net bonus is \$60.

1. Add the student loan rate (10 cents in the dollar) to the low lump sum rate (22.4 cents in the dollar).
2. Deduct this combined rate from \$1.  
(\$1 – 32.4 cents) = 67.6 cents
3. Multiply the net payment by 100/67.6 (\$60 x 100/67.6) = \$ 88.76
4. The gross bonus is \$ 88.76

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

Gross bonus	\$ 88.76
Less PAYE deductions (at 22.4 cents)	\$ 19.88
Student loan repayments (at 10 cents)*	\$ 8.80
Net bonus	\$ 60.08

\* Student loan repayments are deducted at 10 cents in every whole dollar.

**Retiring and redundancy payments****Retiring allowances**

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

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

It is not based on the age of the employee.

Retiring allowances are taxable in full, but are not liable for earner premium or residual claims levy. Refer to the PAYE tables for the current lump sum rates. See the notes on page 31 about when to deduct at a higher tax rate.

**Example**

Retiring payment	\$ 10,200.50
PAYE (on whole dollars) at 33 cents in the dollar is*	\$ 3,366.00

\* This example assumes that the employee is required to have tax deducted at the high lump sum rate.

**Redundancy payments**

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

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

The following are **not** redundancy payments, and are liable for earner premium and residual claims levy:

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

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

If the employee stays with the same employer on another job or project, any payment is liable for earner premium and residual claims levy.

If the employee uses an M SL, S SL or SH SL code, you will also have to deduct student loan repayments from retiring and redundancy payments.

### Termination of employment

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

Employment is not terminated if the employee:

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

The following two types of payment **are not** retiring allowances or redundancy payments.

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

These payments are liable for earner premium and residual claims levy.

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

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

### Completing the Employer monthly schedule (IR 348)

As retirement or redundancy payments are not liable for ACC earner premium, the IR 348 should be completed as follows:

- The "gross earnings" box should include all taxable earnings including the retirement or redundancy payment.
- The "earnings not liable for earner premium (ACC)" box should show the retirement or redundancy payment.

## Bonuses – regular

### Regular incentive or production bonuses

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

### Bonuses for one pay period

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

#### Example

Ordinary wages for pay period	\$ 270.00
Bonus for same pay period	\$ 54.00
Total earnings	\$ 324.00

### Monthly bonuses – more than one pay

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

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

#### Example

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

1. Add together the gross wages paid in that month:
 

\$222, \$240, \$276, \$264 =	\$ 1,002.00
------------------------------	-------------
2. Add bonus
 

	\$ 300.00
Total	\$ 1,302.00
3. Using monthly tables, calculate the PAYE on \$1,302
 

	\$ 243.66
--	-----------
4. Deduct PAYE on \$1,002 (M code)
 

	\$ 176.71
The PAYE to be deducted from the bonus is	\$ 66.95

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

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

### Bonuses covering more than one month

For a bonus which covers more than one month:

1. Divide the bonus by the number of months it covers. This gives you the monthly bonus amount.
2. Add the monthly bonus to the normal pay for the month, and use the monthly PAYE tables to calculate the PAYE.
3. Calculate the PAYE on the normal monthly pay and subtract this amount from the PAYE calculated at step 2 above. This gives you the PAYE on the monthly bonus.
4. Multiply this by the number of months the bonus covers to get the total PAYE to be deducted from the bonus.

**Example**

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

1. Monthly bonus is (1/3 of \$720)	\$ 240.00
2. Add normal monthly pay	\$ 1,120.00
<b>Total</b>	<b>\$ 1,360.00</b>
Using monthly tables, the PAYE on \$1,360 is	\$ 256.31
3. Deduct PAYE on \$1,120 using the monthly tables	\$ 202.93
The difference is the PAYE payable on the bonus for one month	\$ 53.38
4. Multiply the one month's PAYE by three to get the PAYE on the bonus for three months (3 x \$53.38) =	\$ 160.14

Deduct this amount from \$720.

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

**Bonuses for a broken period**

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

**Holiday pay**

Include holiday pay and pay for statutory holidays as earnings in the period that you actually pay them. See our *PAYE deduction tables (IR 340) or (IR 341)* for how to calculate your employees' holiday pay earnings. Before calculating your employees' holiday pay, please check your obligations under the Holidays Act 1981.

**FOR MORE HELP**

The Department of Labour has a pamphlet called *Your holidays and other leave*, which explains the rules for holiday pay. Contact the Department of Labour's industrial relations Infoline 0800 800 863 if you would like further information about holiday pay or visit their website at [www.dol.govt.nz](http://www.dol.govt.nz) to request a copy of the pamphlet.

**Loss of earnings compensation**

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

Similarly, if an injury occurs at work and you pay an employee for the period up until the time compensation is payable, you must deduct PAYE using the employee's tax code. This period will depend on the agreement you have with your insurer.

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

If you pay the employee salary or wages and your insurer subsequently reimburses you, deduct PAYE using the employee's tax code.



## Honoraria

For honoraria paid to employees, use the PAYE tables to work out the amount of PAYE tax.

Honoraria paid to mayors, chairpersons and/or members of local bodies, clubs, societies and organisations are subject to withholding tax.

**Note:** Recipients of withholding payments are liable for their own earner premium and student loan repayments.

## Life insurance and personal accident premiums

### Policies payable on maturity or surrender

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

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

If the proceeds of the policy are payable to the employer, the premiums are not taxable to the employee. Do not deduct PAYE.

### Policies payable on accident or death only

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

The premium the employer pays is not income to the employee, even if the benefits of the policy are payable to the employee. If the premium is for cover of work accidents, there is no PAYE or fringe benefit tax (FBT) liability. However, if the employer pays a premium for cover of non-work accidents the premium is not liable for PAYE, but is subject to FBT.

But, if an employee (or family member) takes out their own insurance and the employer pays the premium, the payments are treated as salary or wages. The employer does not pay FBT on these contributions.

## Prize money paid at sporting events and competitions

There is a legal requirement to deduct withholding tax on prize money at any sporting event or competition, not just professional events.

A prize money threshold of \$500 has been set before a 20% withholding tax has to be deducted on the amount exceeding this threshold. This applies to each separate participant, for each separate event that the participant enters at the competition or sporting event.

### Example 1

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

### Example 2

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

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

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

You will need to get an IR 330 tax code declaration from the recipient of the prize money. They will use a WT tax code. If you do not receive a completed IR 330 or it is not fully completed deduct tax at the no-declaration rate (see page 8).

Include the gross and withholding tax on your *Employer monthly schedule* and show a WT tax code for the prize recipient.

## Part 4 – Penalties

Employers are responsible for making various deductions such as PAYE, SSCWT, student loans and child support from their employees' gross wages. These are held in trust for the Crown. Inland Revenue takes a serious view if any employer does not properly deduct or pay in employees' PAYE or other deductions. Employers face penalties if they do not meet their obligations for deductions.

The information on pages 37 to 39 applies to all employer deductions:

- PAYE (including ACC earner premium)
- student loan deductions
- child support
- SSCWT.

### FOR MORE HELP

If you would like more information about penalties, see our booklet *Taxpayer obligations, interest and penalties (IR 240)* and *Tax Information Bulletin* Volume 8, No 7. Copies of these publications are available from Inland Revenue. Use our INFOexpress service (see page 49).

### Late payment penalties

A payment is late if it is posted or delivered to Inland Revenue after the due date. See page 18 for an explanation of due dates.

If you send in a payment after the due date you will be charged a 5% late payment penalty. A further 2% is added every month to the amount unpaid until the deductions and penalty are paid. In addition, interest is charged on outstanding amounts until paid.

If a payment is late, but the penalty is not paid, we will send a separate notice showing the penalty and interest charged. This notice is not an IR 345, so do not use it for a normal PAYE payment. Use the notice as a payment slip to pay the penalty and interest.

If the due date for a payment falls on a weekend or public holiday, there will be no penalties and interest if you make the payment on the next business day.

### Interest

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

If you overpay the amount due Inland Revenue will generally pay you interest from the day after the original due date (within certain rules).

If you underpay the amount due Inland Revenue will charge interest on the amount that is still outstanding from the day after the original due date. Interest will be charged on all balances exceeding \$100 outstanding.

Rates will be published periodically by Inland Revenue and will be based on the following:

- the short-term deposit rate, for overpayments
- the short-term borrowing rate, for underpayments.

### Late filing penalty

The law requires you to file your tax returns on time. If you don't file your *Employer monthly schedule (IR 348)*, your *ACC residual claims levy statement (IR 68A)* or your *PAYE and ACC earner premium reconciliation statement (IR 68P)* (1998 and 1999 years only) by the due date you may have to pay a late filing penalty.

The amount of the penalty is \$250 for each form. We will send you a statement telling you of the penalty and the due date for paying it. Late payment penalties and interest are charged on late filing penalties that are not paid by the due date.

## Non-electronic filing penalty

Employers who are required to file their *Employer monthly schedule (IR 348)* electronically and fail to do so in the prescribed electronic format (see page 27) may be charged a non-electronic filing penalty.

The penalty is the greater of \$250 or \$1 for each person employed at any time during the month to which the employer monthly schedule relates.

For example, if there are 500 employees listed on the schedule each month, the penalty will be \$500 each month. This penalty is payable by the 5th of the following month and will attract late payment penalties and interest if unpaid.

Employers who have an exemption from filing the schedule in the prescribed format and voluntary electronic filers will not be charged a non-electronic filing penalty.

## Shortfall penalties

Shortfall penalties apply to any offence committed for periods starting on or after 1 April 1997. This includes failing to deduct PAYE or failing to pay PAYE deductions to Inland Revenue.

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

- |                               |      |
|-------------------------------|------|
| - lack of reasonable care     | 20%  |
| - unacceptable interpretation | 20%  |
| - gross carelessness          | 40%  |
| - abusive tax position        | 100% |
| - evasion                     | 150% |

In addition to these penalties there could be fines charged and/or imprisonment of up to five years.

### Disputing shortfall penalties

You may dispute a shortfall penalty, if you feel it is wrongly imposed.

## Failing to make deductions

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

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

**Important:** If you can't make the student loan, child support and/or PAYE deductions, contact Inland Revenue straight away. You must still file your IR 345, IR 346 and/or IR 348 by the due date.

## Failing to pay deductions to Inland Revenue

Employers must pay deductions to Inland Revenue by each due date.

**The money deducted does not, at any stage, belong to employers. Under no circumstances should the deductions be used for any other purpose than for payment to Inland Revenue. Inland Revenue will help employers who try to meet their obligations but will take action against employers who do not comply with the tax laws.**

Failing to pay in deductions to Inland Revenue is a serious offence and can result in the employer being prosecuted. An employer who is convicted may be:

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

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

**Note:** The imprisonment penalty does not apply to SSCWT offences.

## Aiding and abetting

If an employer aids and abets with another person to commit an offence, the employer may be:

- imprisoned for up to five years and/or
- fined up to a maximum of \$50,000
- charged a shortfall penalty.

## Evasion and similar offences

Anyone convicted of knowingly attempting to evade their obligations can be fined up to \$50,000 and/or be imprisoned for up to five years.

## Additional student loans penalties

The Student Loan Scheme Act 1992 requires employers to provide Inland Revenue with their employees' details, such as IRD number, name and the details of the amount deducted. Failing to provide the correct information is an offence and may result in the employer being prosecuted. If convicted, the fines are:

- up to \$4,000 for the first offence
- up to \$8,000 for the second offence
- up to \$12,000 for subsequent offences.

### Prejudice

It is also an offence to discriminate against an employee, or potential employee, because of an obligation to deduct student loan repayments.

An employer may not:

- refuse to employ the person, or refuse to pay wages
- dismiss, or threaten to dismiss the employee
- stop, or threaten to stop paying wages
- prejudice, or threaten prejudice against the employee
- intimidate, coerce, penalise or discipline the employee

because of student loan obligations.

An employer convicted of prejudice may be fined up to \$2,000 and ordered to pay compensation to the employee.

## Additional child support penalties

### Employee privacy

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

There are only two exceptions. These are:

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

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

### Prejudice

It is also an offence for employers to discriminate against an employee or potential employee because of child support obligations.

An employer may not:

- refuse to employ the person, or refuse to pay wages
- dismiss, or threaten to dismiss the employee
- stop, or threaten to stop paying wages
- prejudice, or threaten prejudice against the employee
- intimidate, coerce, penalise, or discipline the employee

because of child support obligations.

An employer who is convicted of any of the above offences may be ordered by the Court to pay compensation to the employee, or to take any other action to remedy the situation.

## Employee start and finish information penalties

Employers must provide Inland Revenue with their employees' start and finish details.

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

## Audit procedures

Every employer can expect to be audited from time to time. This will involve Inland Revenue staff checking the business's PAYE records against the returns filed to make sure the returns are correctly completed.

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

If you want to know more about audit procedures, check our booklet, *Inland Revenue audits (IR 297)*, available through INFOexpress (see page 49).

### Voluntary disclosure

If there is any omission or error in your PAYE affairs, you have the chance to tell Inland Revenue about it. If you do this before we audit or investigate your books, we may still charge penal tax or shortfall penalties, but at a lower rate. You won't be prosecuted, and your name won't be published in the *New Zealand Gazette*.

### FOR MORE HELP

If you'd like to know more about this process, read our booklet *Putting your tax affairs right (IR 282)*.

## If you disagree

At Inland Revenue 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 can't agree, there is a formal process to follow, so your rights are protected in case the matter goes to court.

To find out more about this process get a copy of our booklet *Disputing an assessment (IR 210J)* through INFOexpress (see page 49).

## Part 5 – Special types of workers

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

- Casual agricultural workers
- Commission agents
- Directors
- Drovers and musterers
- Election day workers
- Fishermen
- IR 56 taxpayers
- Jockeys and trotting drivers
- Musicians, dance bands and orchestras
- Non-residents
- Partners in a partnership
- Piece workers and outworkers
- Shareholder-employees in close companies
- Shearers, shedhands and shearing contractors
- Spouse – wages paid to your wife or husband
- Students
- Subsidised workers
- Workers receiving the community wage
- Workers under labour-only contracts in the building industry

**For the current tax rates, see the PAYE deduction tables.**

### Casual agricultural workers

Casual agricultural workers are persons engaged in casual seasonal agricultural work on a day-to-day basis for up to three months.

They are taxed through the PAYE system at a flat rate and use the tax code CAE on the IR 330 declaration.

**Note:** “Agricultural contractors” are subject to withholding tax. Refer to the back of an IR 330.

### Commission agents

For agents who receive commission only, tax the gross commission as a withholding payment (see page 13).

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

Whether you deduct PAYE or withholding tax from any payment depends on whether the agent is an employee or is self-employed. For more information on employment status, refer to page 5 “Who is an employee?”.

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

### Directors

Fees paid to directors are generally withholding payments. Tax the fees paid using the correct rate of withholding tax. Some directors who are shareholder-employees of the company may pay provisional tax.

### Drovers and musterers

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

If they supply their own dogs, horses or saddlery and receive allowances, deduct the amount of allowances paid (up to the maximum in the table below) before calculating the PAYE.

Type of reimbursing allowance	Maximum deduction per week
Dog	\$1 for each dog supplied max. allowance \$4
Horse and saddlery	\$ 1.50
Horse only	\$ 1.00
Saddlery	\$ 0.50

Deduct withholding tax from the gross payments made to a droving contractor (see the back of an IR 330 declaration).

## Election day workers

Election day workers are people employed on a casual basis immediately before, on, or immediately after polling day. Election day workers are taxed through the PAYE system at a flat rate and use the tax code EDW on the IR 330 declaration.

## Fishermen

Fishermen paid at an hourly or daily rate are employees. Deduct PAYE from their wages using the PAYE tables.

Please note that “share fishers” are subject to withholding tax—see the back of an IR 330 declaration.

If you are unsure whether a fisherman is an employee or self-employed, read page 5 of this guide.

## IR 56 taxpayers

IR 56 taxpayers are workers whose employer is not required to deduct PAYE from their earnings. They are responsible for paying their own PAYE tax, however, they are not classified as self-employed. Examples of IR 56 taxpayers are:

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

IR 56 taxpayers have to complete and send in IR 345 and IR 348 forms with their payments each month. For further help see our booklet *IR 56 taxpayer's handbook (IR 356)*. You can order it through INFOexpress (see page 49).

## Jockeys and trotting drivers

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

The withholding tax rates are listed in the PAYE tables and on the back of an IR 330 declaration.

See page 13 for more information on withholding payments.

## Musicians, dance bands and orchestras

If bands or other entertainers are actual employees, you must deduct PAYE from payments made to them. Each performer in a band must fill in an IR 330 declaration.

Musicians hired on a casual basis are usually paid withholding payments. Every performer in a group must fill in an IR 330 declaration using a WT tax code. However, if payments are made to a spokesperson of the group, only one IR 330 is needed. It must be made out in the name of the spokesperson, not the name of the group.

If the band is registered with Inland Revenue as a partnership, show the IRD number of the partnership on the IR 330 declaration (use WT tax code).

### Door charges at hotels and taverns

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

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

## Non-residents

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

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

### FOR MORE HELP

If you want more information about tax residency, see our booklet *New Zealand tax residence (IR 292)*, which is available through INFOexpress (see page 49).

### Non-resident employees

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

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

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

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

Whether or not a non-resident qualifies for the exemption may not be obvious when the person arrives, or may not be established for some time. This means that if PAYE is deducted, it may have to be refunded at a later date. Also, if a foreign tax administration requires tax payments, employers may have to make double deductions.

The law gives employers the option of providing a bond or other form of security to Inland Revenue. Please contact Corporates in Wellington (see address details below) for a copy of the standard bond agreement. If another form of security is offered, it must be acceptable to Inland Revenue. Giving the bond or security ensures that Inland Revenue can recover the PAYE if the employee becomes liable and payment is not made.

To apply for an exemption, contact Corporates at our Wellington office. If Inland Revenue agrees, you may lodge a bond or security. If Inland Revenue accepts the bond or security, you can stop deducting PAYE until the employee clearly becomes liable for tax in New Zealand. Please note that you must deduct PAYE until Inland Revenue accepts the bond.

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

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

If it becomes clear that the employee is exempt from New Zealand tax, Inland Revenue will release you from the bond.

Send bond applications to:

Team Leader  
Non-Resident Contractors  
Inland Revenue Corporates  
Private Bag 39 984  
Wellington  
Telephone: (04) 472 1032.

Contact Corporates if you would like more information about these bonds.

### Non-resident contractors

Deduct tax from payments to non-resident contractors. Deduct withholding tax (see page 13) from payments to individuals who are not your employees, and to companies, for specified contract activities or services.

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 in respect of such projects
- the hire of personnel or equipment to be used in New Zealand.

### FOR MORE HELP

Some contractors may be entitled to an exemption from tax, or may have a special rate certificate. If you have any questions about how to treat non-resident contractors, contact the Non-Resident Contractors Team, Inland Revenue Corporates, Wellington (see page 43).

### Non-resident entertainers

Deduct withholding tax from payments to non-resident entertainers, except from payments for a performance:

- which is part of a New Zealand or foreign government sponsored cultural programme, or
- which forms part of a programme of an overseas non-profit organisation, or
- is in relation to a game or sport, where the participants are the official representatives of the organisation that administers the game or sport in an overseas country.

If you have any questions about non-resident entertainers, phone Inland Revenue Corporates, Auckland, on (09) 367 1329.

### Interest, dividends or royalties

Any interest, dividend or royalty payments to a non-resident are liable for non-resident withholding tax. Details of the rates of tax and method of payment are in the *Non-resident withholding tax payer's guide (IR 291)*.

### FOR MORE HELP

If you have any questions about taxing non-residents and visitors to New Zealand, other than non-resident contractors and non-resident entertainers, contact:

The Non-Resident Centre  
Inland Revenue Department  
Private Bag 1932  
Dunedin

Telephone: (03) 467-7020.

## Partners in a partnership

A partnership (except an investment partnership) may make payments to a working partner for services personally performed. These payments are treated as salary or wages if all of the following apply:

- The partner is employed under a binding written contract of service, signed by all the partners.
- The contract states the amount payable to the working partner for the services.
- The working partner must personally and actively perform the services for the partnership.

These services may be of any kind needed for the partnership's business.

The payments are treated as salary and wages for the period between the date the contract became binding and the date the contract is terminated. The partnership must deduct PAYE and pay it to Inland Revenue. The partnership must also pay an ACC residual claims levy on these payments. This is calculated on the partnership's IR 68A.

## Piece workers and outworkers

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

If you do not pay salary or wages regularly, average the taxable earnings over the number of weeks in the working period. Treat any odd days as an extra week. Calculate the PAYE for each week separately and add up the PAYE to arrive at the total amount to deduct.

Payments to a labour-only contractor in the building industry are liable for withholding tax. To work out whether a worker is an employee, see page 5.

You may need to get a determination from Inland Revenue to establish whether an employer/employee relationship exists.

## Shareholder-employees in close companies

Deduct PAYE from:

- regular salaries paid to shareholder-employees for pay periods of one month or less
- other payments which Inland Revenue considers to be liable for PAYE 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 IR 4 company tax return.

## Shearers, shedhands and shearing contractors

Shearers and shearing shedhands have PAYE deducted at a flat rate and use the tax code CAE.

Shearing contractors have withholding tax deducted. For the current tax rates see the PAYE deduction tables.

### Combined farming and shearing

When a shearer does ordinary farm work because shearing is impossible, include any wages for this work with shearing wages.

If a farm worker employed for normal farm work also does shearing work at shearers' rates of pay, treat the shearing wages as part of the normal pay for the pay period. Calculate the PAYE using ordinary PAYE deduction tables. Do not use the special rate for shearers and shedhands.

If a farmer does part-time shearing for another farmer, an IR 330 declaration should be completed and PAYE deducted as for shearers (use the CAE tax code).

### Shearing contractors

Here are some of the situations you may come across if you have shearing contractors and shearing gangs working for you:

1. The contractors pay their own shearers/employees and show you a current *Certificate of exemption (IR 331)*.

In this case do not deduct tax—pay the full contract price to the contractor. The ACC residual claims levy is the responsibility of the contractor who deducts PAYE at the current rates from wages paid to the employees.

2. The contractors pay their own shearers/employees and do not show you a current IR 331.

You must get an IR 330 declaration from the contractor who will use a WT tax code. Alternatively the contractor may have a *Special tax code or deduction rate (IR 23)* certificate (see page 12 for more information on the IR 23). If you do not get an IR 23 or IR 330, or the IR 330 is not fully completed, deduct tax at the no-declaration rate. The contractor must deduct PAYE from wages paid to the employees, and is also responsible for the ACC residual claims levy.

3. You pay the wages of the contractor's employees.

In this case treat them as if you were employing them direct.

- Get a fully completed IR 330 from each employee. If an IR 330 is not given to you or is not fully filled in, deduct PAYE at the no-declaration rate.
- Deduct PAYE for shearers and shearing shedhands at the current rates using the tax tables.
- If the contractor has a current *Certificate of exemption (IR 331)*, pay the contractor the contract price less the wages you have paid to the employees.

- If the contractor does not have a current *Certificate of exemption (IR 331)*, you must get an IR 330 from the contractor and deduct withholding tax from the contract payment or, if the contractor has a *Special tax code or deduction rate (IR 23)* certificate, you can deduct tax at the rate shown. See page 12 for more information on the IR 23. If you do not get an IR 23 or IR 330, or the IR 330 is not fully completed, deduct tax at the no-declaration rate.
- You are responsible for paying ACC residual claims levy for the shearers/employees.

4. Farmers who employ open-shed shearers or shearing shed-hands must follow these steps:
  - Get a fully completed IR 330 from each employee. If the IR 330 is not completed, deduct PAYE at the no-declaration rate.
  - Deduct PAYE for shearers and shearing shedhands at the current rates using the CAE tax code.
  - Pay ACC residual claims levy for the shearers/employees.

### Contractor pays wages to shearers

If you are a contractor and employ shearers, you must deduct PAYE from any payments you make.

### Allowances

Travelling allowances and hand-piece allowances are non-taxable.

All other types of allowances, including the value of free meals and board, are taxable. Add the value of these allowances to wages. Show any tax-free allowances paid in your wage book.

## Spouse – wages paid to your wife or husband

The term spouse means a husband, wife, or de facto partner you are living with. It does not mean a person you are separated from.

If you employ your spouse in your business (unless your business is a company) you must get approval from Inland Revenue to pay wages. If you do not have approval you cannot claim a deduction for the wages in your business accounts.

We give approval if:

- the payment is solely for services given in the course of carrying on the business, and
- the payment is not excessive. The rates must be the same as those you would pay to an unrelated employee for doing similar work.

Write to Inland Revenue giving the following details:

1. Type of business in which your spouse is employed.
2. Full details of the work done by your spouse.
3. The average number of hours your spouse works each week, and the number of weeks worked during the year.
4. Details of any other workers you employ and the total amount paid as wages, not including the wages paid to your spouse.
5. How payment of wages is made, such as cash at regular intervals, periodically, or crediting to an account.
6. The amount of wages paid to your spouse.

You should apply for approval before you start paying wages to your spouse. You need to make another application if you increase the wages as a result of:

- an increase in the duties performed by your spouse, or
- an increase in pay that is not a general wage increase.

## Students

### Primary and secondary school students

If primary or secondary school students work for you, tax them as follows.

### Weekly earnings of less than \$20

School children whose total earnings from all employment are less than \$20 a week do not have to complete an IR 330 declaration. Do not deduct PAYE from their earnings. You do not have to include them on your employer monthly schedule, but you still have to keep wage records for them.

### Weekly earnings of more than \$20

Where earnings are more than \$20 a week but the annual earnings are not expected to be more than \$1,040, the child does not need to fill in an IR 330. Do not deduct PAYE or earner premium from earnings.

School children who earn more than \$20 a week and who expect to earn more than \$1,040 a year must fill in an IR 330. Deduct PAYE or withholding tax from the full payment. See page 5 to work out whether the child is an employee.

Children are entitled to a rebate of \$156 each year if the income is over \$1,040. If the income is less than \$1,040, the rebate is 15 percent of the income. If a child has completed an IR 330 tax code declaration, reduce the PAYE to be deducted by \$3 each week.

### University, polytechnic, and other students

Deduct PAYE in the normal way. An IR 330 must be filled in. Some of these students may use an M SL, S SL or SH SL code. You must then make student loan deductions along with their PAYE.

## Subsidised workers

If you employ someone who has been unemployed for a certain time, Work and Income NZ may subsidise that person's wages.

Deduct PAYE from the employee's wages using the PAYE tables. Tax deductions should be made from the gross wage, not the gross wage less the subsidy.

You must keep a record of the grants or subsidies received and how you have used them.

There are GST obligations regarding these grants. If you are registered for GST then the wages subsidy received will be GST-inclusive and the GST component will need to be returned in your GST return. You cannot claim GST on wages paid out.

## Workers receiving a community wage

Under current benefit laws, people receiving the community wage may be asked to undertake community work with a sponsor. A sponsor is the organisation that provides the community work. As an employer, you may be a sponsor.

All community wage recipients still receive income support. However, those who do community work receive a participation allowance in addition to their income support.

The participation allowance is a flat rate of \$21 per week. The sponsor is responsible for paying this allowance, and can then claim it back from Work and Income NZ every four weeks.

The sponsor is not an employer of any community work participants; rather it is acting as an agent on behalf of Work and Income NZ in paying the allowance to the participant. This means the allowance is not subject to GST or income tax in the hands of the sponsor. You are not required to make any deductions from this allowance.

## Workers under labour-only contracts in the building industry

Payments made under labour-only contracts for the following activities in the building industry are liable for withholding tax:

- erecting, extending, protecting, decorating, repairing or renewing buildings, other constructions, prefabricated or precut buildings
- carpenters under a building contract (this does not include 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.

## Part 6 – Services you may need

### How to contact us

For assistance with any business tax enquiries please phone us on the following toll-free numbers:

Overdue tax and returns	0800 377 771
Employer issues	0800 377 772
GST	0800 377 776
Income tax and general enquiries	0800 377 774
Child support	0800 221 221

If you are a customer of our Corporates segment see the paragraph headed “Corporates” later on this page for your contact details.

### INFOexpress

INFOexpress is Inland Revenue’s automated telephone service, which operates from 6am to 12 midnight, seven days a week and offers a wide range of services. All you need is a touch tone phone. These are some of the things you can do:

- order Inland Revenue forms and booklets
- get tax payment information
- find out when your tax refund is likely to arrive
- get updates on your tax balances (income tax, GST, employer accounts for PAYE, child support, SSCWT, fringe benefit tax and student loans)
- request or change a personal identification number (PIN).

INFOexpress is easy to use. You need your IRD number to use the service, so have it handy before you call. It’s also a help if you know the number of any forms or booklets you are ordering. For personal information, such as account balances, you will also need your INFOexpress PIN.

Call these numbers:

All services	0800 257 777
Taxpacks	0800 257 772
Forms and stationery	0800 257 773

### Business Tax Information Service and Maori Community Officers

Inland Revenue offers a free business tax information service. The service aims to provide support and tax education for new businesses and organisations to help them meet their tax obligations. Most Inland Revenue offices also have a Maori Community Officer who can assist Maori organisations and individuals with their business tax obligations. This service aims to maintain good relations between Inland Revenue and the tangata whenua.

#### FOR MORE HELP

If you’d like to find out more about these services phone us on 0800 377 772.

### Corporates

Inland Revenue Corporates segment is responsible for businesses with a group turnover of more than \$100 million as well as those involved in industries where specific tax legislation applies.

The contact numbers are:

Employer-related calls	0800 443 553
All other enquiries	0800 443 773

Please remember to have your IRD number handy when you call.

Corporates customers are serviced through two offices in Auckland and Wellington.

If you are in the following sectors send all correspondence to the Wellington office:

Private Bag 39 984  
Wellington Mail Centre  
Fax: (04) 384 5883

- Banking and finance
- Insurance and superannuation
- Oil and mineral industries
- Primary producers
- Public and local authorities
- State-owned enterprises
- Non-resident contractors

If you are in these sectors write to the Auckland office:

PO Box 5542  
Wellesley Street  
Auckland  
Fax: (09) 377 1159

- Manufacturing and exports
- Forestry and fishing
- Transport and technology
- Non-resident entertainers

## Tax Information Bulletin

The tax laws do change from time to time. As an employer you have regular dealings with Inland Revenue and we will advise you of the more significant changes. However, it remains your responsibility to be aware of your tax, student loan and other obligations.

Our *Tax Information Bulletin* is a regular publication containing detailed technical information about all tax changes. Contact us at the address below if you'd like to receive this publication regularly:

TIB mailing list  
PO Box 31 581  
Wellington  
Telephone: (04) 568 8200.

## Payroll News

This newsletter is issued approximately six times a year and covers tax changes and topical issues relating to employers. We automatically send it to you with your IR 345 or IR 346.

## Inland Revenue's website

If you would like more information about Inland Revenue, visit us on our website at:

[www.ird.govt.nz](http://www.ird.govt.nz)

This site contains general tax information, copies of most of our publications, answers to commonly asked questions and public rulings.

This site will always be growing and new information and services will be added as they become available.

## Privacy Act – What you need to know

Part of meeting your obligations involves filling in various forms for Inland Revenue. The information requested on these forms is collected so Inland Revenue can assess your liabilities or entitlements under the Acts administered by Inland Revenue.

The law says that you must supply the information. If you do not, you can be prosecuted and possibly fined.

Inland Revenue may also give some information about you to Work and Income NZ, Department for Courts, Department of Labour, Statistics New Zealand, Treasury, Ministry of Education and Accident Compensation Corporation, or their contracted agencies.

You have the right to see almost all of the personal information we hold about you and to ask us to correct any errors. You can ask to do this at any Inland Revenue office.

## Publications

You may find some of the following publications useful. You can order these through our automated phone system, INFOexpress (see page 49).

- |  |                |  |                |
|--|----------------|--|----------------|
| <b>Charitable organisations</b>  | <b>IR 255</b>  | <b>GST guide</b>   | <b>GST 600</b> |
| Explains what tax exemptions are available for approved charities and donee organisations, and the criteria that an organisation must meet to get an exemption.      |                | An in-depth guide which covers almost every aspect of GST. Everyone who registers for GST gets a copy of this booklet.   |                |
| <b>Clubs and societies</b>   | <b>IR 254</b>  | <b>Inland Revenue audits</b>   | <b>IR 297</b>  |
| Explains the tax obligations that a club, society or other non-profit group must meet.   |                | This booklet, for business people and investors, explains what is involved if you are audited by Inland Revenue; who is likely to be audited; your rights during and after the audit; and what happens once an audit is completed. |                |
| <b>Depreciation</b>  | <b>IR 260</b>  | <b>ir-File – Explaining electronic filing</b>  | <b>IR 343</b>  |
| Explains the depreciation rules applying from 1 April 1993. Includes detailed schedules of assets and their depreciation rates.                                      |                | Gives a basic introduction to electronic filing. Explains how the ir-File system works, what choices employers have, what equipment is needed and how to get started.  |                |
| <b>Disputing an assessment</b>   | <b>IR 210J</b> | <b>IR 56 taxpayer's handbook</b>   | <b>IR 356</b>  |
| Explains the process to follow if you want to dispute a tax assessment or some other determination.  |                | This booklet explains the tax obligations for people who are responsible for paying their own PAYE tax. Some examples are:   |                |
| <b>Disputing a notice of proposed adjustment</b>   | <b>IR 210K</b> | <ul style="list-style-type: none"> <li>– part-time private domestic workers</li> <li>– embassy staff members</li> <li>– New Zealand-based overseas company representatives.</li> </ul>   |                |
| If we send you a notice informing you that we are going to adjust your tax liability, you can dispute the notice. This booklet explains the process you must follow. |                | <b>Payments and gifts in the Maori community</b>   | <b>IR 278</b>  |
| <b>Education centres</b>   | <b>IR 253</b>  | A guide to payments in the Maori community— income tax and GST consequences.   |                |
| Explains the tax obligations of schools and other education centres. Covers everything from kindergartens and kohanga reo to universities and polytechnics.          |                | <b>Smart business kit</b>  |                |
| <b>Electronic payments</b>   | <b>IR 87A</b>  | This includes an introductory guide for businesses and non-profit organisations— <i>Smart business (IR 120)</i> and a video which explains basic tax obligations and record keeping.   |                |
| This leaflet shows you how to correctly enter your electronic payment information according to Inland Revenue payment requirements.                                  |                | <b>Taxpayer obligations, interest and penalties</b>  | <b>IR 240</b>  |
| <b>Entertainment expenses</b>  | <b>IR 268</b>  | An introduction to the new rules for business people applying from 1 April 1997.   |                |
| Covers the tax treatment of business entertainment expenses.   |                | <b>ACC Residual claims</b>   | <b>ACC 450</b> |
| <b>Fringe benefit tax guide</b>  | <b>IR 409</b>  | Explains ACC levies and premiums. ACC produces this booklet but you can get a copy from Inland Revenue too.  |                |
| Explains the fringe benefit tax obligations of anyone who is employing staff or companies who have shareholder employees.  |                | <b>GST – do you need to register?</b>  | <b>GST 605</b> |
| <b>GST – do you need to register?</b>  | <b>GST 605</b> | A basic introduction to goods and services tax, which will also tell you if you have to register for GST.  |                |

## Index

ACC earner premium	9	- employee privacy	39
- liable earnings	9	- paying	11
Accident residual claims levy	16	- penalties	39
Accident insurance premiums	36	- protected net earnings	11
Agents - commission	41	- variation codes	26
Agricultural workers (casual)	41	Commission agents	41
Aiding and abetting	39	Community wage	48
Allowances	29	Companies	
- benefit	29	- shareholder-employees	45
- drovers	41	- stop employing	28
- GST	30	Company directors	41
- musterers	41	Compensation - loss of earnings	35
- reimbursing	29	Competitions - prize money	36
- retiring	32	Computer payroll systems	18
- shearing	46	- year 2000	2
- travelling	30	Construction workers (see labour contracts)	48
Annual bonuses	31	Contractors	
Apprentice jockeys and trotting drivers	42	- building industry	48
Arrears - employees'	11	- fishermen	42
Audit procedures	40	- non-resident	44
		- shearing	45
Back pay	31	Corporates	49
Benefit allowances	29		
Board and lodging	29	Dance bands	42
Bond - non-residents' PAYE	43	Deductions	
Bonuses		- child support	10
- annual	31	- due date	18
- net payments	31	- earner premium	9
- regular	34	- employees' arrears	11
- special	31	- paying	18, 27
Building - labour only contractors	48	- payment forms	22
Business - ceasing	28	- penalties	38
Business tax information	49	- primary employment	6
		- running totals	28
Casual agricultural workers	41	- secondary employment	8
Cease employing - permanently	28	- special tax codes	12
Certificate of exemption (IR 331)	14	- student loans	9
Certificate - Special tax code (IR 23)	12	- tax code declaration	6
Changes to note	2	- withholding tax	13
Cheque payments	27	Directors	41
Child rebate	47	Disputes	40
Child support		Domestic odd-jobbers	42
- Inland Revenue Child Support	10	Domestic workers	42
- deducting	10	Door charges (hotels)	42



Drovers and musterers	41	Fees (directors)	41
Due dates		Finishing business	28
– deductions	18	Fishermen	42
– schedules	24		
		Government grants and subsidies	48
Earner premium	9	Gratuities (see lump sums)	31
Election day workers	42	Gross annual PAYE deductions	
Electronic filing	26	(see paying deductions)	19
– penalty	38	GST on allowances	30
Electronic payments	27	GST on withholding payments	14
Embassy staff	42		
Employee		Holiday pay	35
– definition	5	Home help	42
– deducting arrears	11	Honoraria	36
– non-resident	43	Hotel door charges	42
– prejudice against	39	Husband – wages paid to	47
– privacy (child support)	39		
– stops working for you	28	Incentive bonus	34
– transfers	28	INFOexpress	49
Employee start and finish penalties	40	Inland Revenue	
Employer		– audits	40
– large	19	– Corporates	49
– new	20	– disputes	40
– small	19	– INFOexpress	49
– stops employing	28	– <i>Payroll News</i>	50
Employer deduction forms		– publications	51
– IR 345	22	– services	49
– IR 346	22	– website	50
Employer monthly schedule	24	Insurance premiums	36
– electronic filing	27	Interest	37
Employment		ir-File	27
– primary	6	IR 23 Special tax code certificate	12
– secondary	8	IR 56 taxpayers	42
– termination of	33	IR 330 tax code declaration	6
Entertainers	42	IR 331 Certificate of exemption	14
– non-residents	44	IR 345 Employer deductions form	22
Evasion	39	– example	23
Exemption from withholding tax	14	– nil	22
Exemption certificate (IR 331)	14	IR 346 Employer deductions form	22
Extra emolument (see lump sums)	31	– nil	22
		– SSCWT	15
Failing to make deductions	38	IR 348 Employer monthly schedule	24
Failing to pay deductions	38	– Child support codes	26
Farm workers (casual)	41		
		Jockeys and trotting drivers	42

Labour-only contracts			
– building	48	– no-declaration rate	8
– fishing	42	– paying	18, 27
Large employers	19	– payment forms	22
– electronic filing	27	– primary	6
– non-electronic filing penalty	38	– secondary	8
– other pay periods	20	Payments	
Late filing penalty	37	– cheque	27
Late payment penalties	37	– child support	11
Life insurance premiums	36	– due dates	18
Loss of earnings compensation	35	– electronically	27
Lump sum payments	31	– employees' arrears	11
– bonuses	31, 34	– forms	22
– redundancy payments	32	– IR 345	22
– retiring allowances	32	– IR 346	22
– severance payments	32	– late payment penalties	37
		– monthly	19
Maori Community Officers	49	– twice-monthly	19
Manual wage records	17	Pay periods	
Monthly payments	19	– due dates for large employers	20
Monthly schedule	24	<i>Payroll News</i>	50
Monthly wage summary example	17	Payroll systems	
Musicians, dance bands, orchestras	42	– computer	18
Musterers and drivers	41	– manual	17
		Penalties	37
New employers	20	– aiding and abetting	39
Net bonus payment	31	– child support	39
Nil deductions	22	– employee start and finish	40
No-declaration rate	8	– evasion	39
Non electronic filing penalty	38	– failing to make deductions	38
Non-residents		– failing to pay deductions	38
– contractors	44	– interest	37
– employees	43	– late filing penalty	37
– employers	43	– late payment penalties	37
– entertainers	44	– non-electronic filing	38
– interest, dividends, royalties	44	– shortfall penalties	38
		– student loans	39
Operation Deep Freeze workers	42	Personal accident premiums	36
Orchestras, dance bands, musicians	42	Piece workers and outworkers	45
Outworkers and piece workers	45	Prejudice (penalties)	39
		Premiums	
Partners – salary/wages paid to		– earner	9
– partnership	45	– life insurance	36
– spouse	47	– personal accident	36
PAYE bond for non-residents	43	Primary school students	47
PAYE deductions		Primary employment	6
– declaration	6	Privacy Act	50
– definition	6	Privacy (child support)	39
		Private domestic workers	42

Prize money	36	Student loans	9
Production bonuses	34	– bonuses	31
Protected net earnings	11	– penalties	39
Publications	51	Students – employing	47
		Subsidised workers	48
Rates of deduction		Superannuation fund contributions	15
– no-declaration	8		
– primary	6	Tavern door charges	42
– secondary	8	Tax arrears – employees	11
– student loans	9	Tax code declaration (IR 330)	6
Record keeping	17	Tax codes	
Redundancy payments	32	– ACC earner premium	9
– termination of employment	33	– declaration	6
Regular bonuses	34	– primary	6
Reimbursing allowances	29	– secondary	8
Residual claims levy	16	– special	12
Retiring allowances	32	– student loans	9
Running totals	28	Tax Information Bulletin	50
		Termination of employment	33
Salaries to shareholder-employees	45	Travelling allowance	30
Salary/wages to partners		Trotting drivers and jockeys	42
– partnership	45	Twice-monthly payments	19
– spouse	47		
Schedule (IR 348)	24	Variation code (child support)	26
School students employed	47	Visitors to New Zealand	43
Secondary employment	8		
Secondary employment – higher tax rate	8	Wage book (example)	17
Secondary school students	47	Wage records	17
Security for non-residents' PAYE	43	Wage subsidies	48
Self-employed contractor – definition	5	Wages/salary to partners	
Severance payments	32	– partnership	45
Share fishers	42	– spouse	47
Shareholder-employees in close companies	45	Website (Inland Revenue)	50
Shearing contractors and shearers	45	Wife – wages paid to	47
– allowances	46	Withholding payments	13
Shedhand	45	– certificate of exemption	14
Shortfall penalties	38	– GST on	14
Small employers	19	– non-residents	44
Special tax code certificate (IR 23)	12	Withholding tax	13
Specified superannuation contribution		– exemption	14
withholding tax (SSCWT)	15	– prize money	36
– IR 346	22	– specified superannuation contributions	15
Sports events prize money	36	Workers receiving community wage	48
Spouse		Work permits	2
– definition	47		
– wages paid to	47	Year 2000	2
Stopping business	28		
Stopping employing	28		