

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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Save time filing your employer returns – do it online

Did you know you can send us your employer information electronically using our online system ir-File? It's easy, secure and accurate and saves you time.



"ir-File" is an online service where employers can file their *Employer monthly schedule (IR 348/EMS)* and *Employer deductions (IR 345/EDF)* forms electronically. You can also file the *KiwiSaver employee details (KS 1)* and *New employee opt-out request (KS 10)* forms electronically at the same time. You normally don't need extra software to use ir-File.

Any employer can register to use ir-File. However, employers whose annual PAYE and ESCT is \$100,000 or more must file their employer returns electronically using ir-File.

Our site is secure. It uses encryption to protect the files you send so that only we can read them. We also include other security features such as userIDs, passwords and automatic logout if there's been no activity for 15 minutes.

How to register

To register for ir-File go to www.ird.govt.nz "Get it done online" and under employers click on "File an employer schedule (ir-File) service". Have your organisation's IRD number handy. Once you've completed a few questions and phoned us to verify your identity you'll be up and running.

Using ir-File

Once you've registered, go to www.ird.govt.nz and click "Login". Enter your userID and password. Then choose the filing method that suits you, ie, for if you have a payroll software package or you don't (or your payroll software doesn't support ir-File). Onscreen help is available throughout the filing process.

When using ir-File you'll need to file both your IR 348/EMS and IR 345/EDF electronically. Don't forget you can also pay online using internet banking. You don't need to send us your paper copy of the returns as well.

Go to www.ird.govt.nz to:

- read our factsheet *ir-File – filing electronically (IR 317)*, which you can find under "Forms and guides"
- try an interactive demonstration about ir-File, see our "Demonstrations".

ESCT to be deducted from superannuation contributions

All employer superannuation cash contributions, including KiwiSaver and complying funds, will be liable for ESCT (employer superannuation contribution tax) from 1 April 2012.

The ESCT will need to be calculated at the employee's marginal tax rate, or you can treat your employer contribution as salary or wages (with the agreement of your employee).

We'll be updating the online PAYE calculator. You'll need to update your software by 1 April 2012 if you use a payroll package.



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: Save time filing your employer returns – do it online, ESCT to be deducted from superannuation contributions, help us to process your employer information quickly, employing students or casual staff over the holiday period, holiday pay and child support deductions, making sure your GST return processes correctly, finding redundancy information online.

If you have any suggestions for topics you'd like covered in this newsletter, email BusinessTax.Update@ird.govt.nz



REMINDERS

Free tax seminars and workshops: We hold free tax seminars and workshops around the country for people in business record. These cover record keeping, income tax, GST, electronic filing and deductible expenses. Bookings are essential. To find a workshop near you, go to www.ird.govt.nz/contact-us/seminars

Election day workers: If you have any employees working casually for the electoral office during the election they'll need to complete a *Tax code declaration (IR 330)* using the tax code EDW. They give this to their election day employer and not to you.

Help us to process your employer information quickly

We want to process your employer monthly schedules and deductions as quickly and efficiently as possible. Here are some tips and checks to help you avoid common errors when filing electronically.

Checking IRD numbers

If an employee is using an incorrect, duplicate or someone else's IRD number, your whole schedule may not process correctly, affecting all employees.

- ☑ IRD numbers have 8 or 9 numbers. If 9, they'll start with 10X-XXX-XXX.
- ☑ Other numbers are not valid, eg, 999-999-999 or 111-111-111.
- ☑ We require an IRD number to allocate/process KiwiSaver deductions/contributions and student loan repayments.
- ☑ If an employee hasn't given you a *Tax code declaration (IR 330)* form you must use the no-notification (ND) rate of 45% plus 2.04% ACC earners' levy.
- ☑ Rather than returning NIL for an employee month after month, it's better to cease them. They can always be started again when needed.

If an employee is declared bankrupt, we'll give them a new IRD number. Please remove old IRD numbers as soon as possible.

Employer monthly schedule tips

The *Employer monthly schedule (IR 348)* or EMS is completed once a month, after the last payday for the month. If you haven't paid any wages during the month you still need to send an EMS showing nil wages.

If you've filed your electronic EMS via ir-File you don't need to send us a paper copy of the file. Doing so will create a duplicate return, which may hold up processing your EMS.

- STC—employees on special tax codes (STC) are still liable for ACC, unless they have a certificate of exemption for a contractor, or the STC stipulates it's exempt from ACC.
- Tax code WT—ensure the same amount is included in both the gross and earnings not liable columns.
- Tax code M—gross is only to be entered in the gross earnings column. Only use the earnings not liable column if the amount paid is a redundancy payment or the earnings are over the maximum for ACC purposes. If an amount entered in the gross earnings not liable column is greater than the amount in the gross earnings column, this will hold up the entire schedule and we'll need to contact you to get the correct figure.
- Only one employee—if you only have one employee on the schedule, please complete all applicable fields for the employee, as well as the totals, even though these figures are the same.

- Payroll giving—you must file electronically through ir-File to offer this to your employees. The paper version of the EMS doesn't contain the payroll giving fields.

Employer deductions tips

The *Employer deductions (IR 345)* form or EDF is completed twice-monthly or monthly by payers of PAYE, child support, student loans and KiwiSaver deductions and contributions. This form shows us how you've allocated your payments. If you've filed your electronic EDF via ir-File you don't need to send us a paper copy.

If your EDF, EMS and payments don't balance, it may cause problems for you or your employees.

- Gross wages aren't required at all.
- Box 8 is for the amount of ESCT paid. Please don't enter your total payment here.
- Check your online services account each month to make sure all tax types are balanced.
- Only one EDF is required per period (if you pay twice monthly) or per month. If you need to amend the figures, please either email us using our secure online services, or phone us on 0800 377 772.
- If you're required to file your EMS electronically, you also need to file your EDF electronically.

Amending your EMS

The *Employer monthly schedule amendments (IR 344)* forms show us changes you want made to an EMS you've previously filed. This can't be filed electronically unless you're a PAYE intermediary.

The process is the same whether you file electronically or on paper. You can either complete an IR 344 or phone us with a few adjustments.

Sometimes an error is made on an employee's earnings. If it's only one or two employees, call us on 0800 377 772 or email using secure online services. Large schedules of alterations should be emailed.

If an employee is overpaid/underpaid in one month, don't account for this in a following month's EMS. An adjustment will need to be made in the EMS for the month the employee was overpaid/underpaid. The adjustment should be given to us by providing the original details and the amended details. If the adjustment results in an overpayment in the period and you've underpaid another period, include a note with the adjustment details and we'll transfer the credit.

Negative amounts are not accepted in an EMS, so please complete an adjustment in the return period of the original payment.

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KiwiSaver checklist

KiwiSaver is calculated on gross salary or wages, which generally means total salary, wages or allowances, including bonuses, commission, extra salary, gratuity, overtime and other remuneration of any kind before tax.

- ☑ When a new employee starts, check you're familiar with the automatic enrolment criteria for KiwiSaver, how to calculate deductions and when compulsory employer deductions are required.
- ☑ Employees need to be 18 or over before you automatically enrol them. They must be New Zealand citizens living, or normally living, in New Zealand and less than 65 years old. Employees under 18 wishing to join KiwiSaver can do so by enrolling directly with a scheme provider if they have parental consent.
- ☑ Your employer contributions must be 2%—this is often not calculated correctly on holiday pay and final pay. If you have a reason you're contributing less than 2%, please let us know why and how long this will be for. This will ensure your employees are credited their full amounts sooner.
- ☑ Make sure you complete a *KiwiSaver employee details (KS 1)* form. Always give the full address of the employee. Once completed these can be electronically filed before the ir-File is sent.

Note: KiwiSaver isn't deducted from:

- redundancy payments
- the value of providing board or lodging, or use of a house or part of a house, or the payment of an allowance instead of the provision of this benefit
- the value of overseas accommodation and cost of living allowances.

Tips to avoid getting letters

After processing the information you give us on your EMS and EDF, our systems may identify errors relating to your staff. Examples include employees using the wrong tax code, such as:

- M SL but no current student loan
- M but have current student loan
- M instead of secondary tax code
- ND tax code being used but not taxed at this rate.

To help your employees avoid a tax bill at the end of the year please check they're using the correct codes.

If you or your employees believe the tax code is incorrect, your employees need to contact us on 0800 227 774 to confirm the correct code for their current circumstances.

It's important for start/finish dates to be correct, otherwise your employee may get a letter suggesting they have two jobs at the same time.

Employing students or casual staff over the holiday period

With the Christmas break approaching we thought it timely to remind you about your obligations as an employer if you employ students or casual staff over this period, and when a *Tax code declaration (IR 330)* must be completed.

School students

When employing a student you may not need to deduct PAYE. Discuss with the student if they feel they'll earn \$2,340 (\$45 a week) for the full year (1 April to 31 March) from all sources of income.

If their full year earnings are likely to be:

- less than \$2,340—they don't need to complete and give you an IR 330 and you don't need to deduct PAYE.
- more than \$2,340—they need to complete and give you the IR 330 and you need to deduct PAYE. If they don't you'll need to deduct PAYE at the no-notification rate of 45 cents, plus 2.04% earners' levy.

If they're not sure what their full year earnings are likely to be, get them to complete and give you the IR 330 and you deduct PAYE. They can claim a credit at the end of the year if necessary.

Students still at school can claim a tax credit of \$245.70 a year at the end of the tax year. Instead of the student having to wait till the end of the year to claim the credit you can reduce their PAYE by \$4.72 a week. Just show the reduced amount of PAYE on your employer monthly schedule.

Tertiary students

When employing university, polytechnic or any other type of student, they must complete an IR 330 and you must deduct PAYE or tax on schedular payments, from payments made to the student.

Other staff

For all other staff you need to get a completed *Tax code declaration (IR 330)* and you must deduct PAYE or tax on schedular payments, from payments made to the employee.

KiwiSaver

Check with the temporary employee whether they're currently a KiwiSaver member. If so, you may need to make deductions. If not, check the criteria for automatically enrolling new employees in KiwiSaver and enrol them if required. For more information go to www.ird.govt.nz/kiwisaver

Employer monthly schedule (IR 348/EMS)

Don't forget to add the:

- start date to the first schedule you show the employee on, and
- end date on the schedule that includes their last pay.

For more information on employing staff go to www.ird.govt.nz/businesses

Holiday pay and child support deductions

If you make child support deductions from an employee's wages, you need to deduct it at the usual rate from their holiday pay.

If your employee requests their holiday pay before going on leave, you still need to deduct child support. This also applies to KiwiSaver and student loan deductions.

When you complete the child support box in your *Employer monthly schedule (IR 348/EMS)*, use the child support code "A" to show a deduction made in advance. If the child support deducted is less than expected, use the child support code "D" to show a shortfall.

Example

Kelly normally has child support deductions from her pay at \$50 a fortnight. In December, she's taking three weeks annual leave. In the last week of November Kelly will be paid three weeks holiday pay in advance, along with her normal fortnightly wages.

Normal fortnightly child support deduction	\$50
Divided by two to get a weekly amount	\$25
Multiply by the number of weeks of holiday pay being paid (in this example three weeks)	\$75
Total child support deducted (\$50 for the normal pay, plus \$75 for the three weeks holiday pay)	\$125

November EMS: The child support deductions will be more than the amount expected. Use the child support code "A" to show a deduction made in advance for Kelly.

December EMS: The child support deductions will be less than the amount expected. Use the child support code "D" to show the shortfall was deducted in the previous month, ie, November.

For questions about child support and tax on holiday pay, please call us on 0800 220 222. If any of your employees have questions about child support they can call us on 0800 221 221.

For more information about the rules for holiday pay and how to calculate it, go to the Department of Labour's website at www.dol.govt.nz/er/ or call them on 0800 20 90 20.

Making sure your GST return processes correctly

Because we scan all paper-based returns, figures can be read incorrectly if they're not clear. When completing your GST return, please:

- use a blue or black pen, not red, green or a vivid marker, if completing manually
- use blue or black if completing the online PDF
- either write \$0.00 or leave it blank if the amount is zero, don't write "Nil"
- always include the cents even if 0, eg, \$2,925 should be written as \$2,925.00, otherwise it may be taken as \$29.25
- don't put a decimal point when entering the amount, otherwise the cents may be omitted when imaged.

Example: Completing the boxes correctly

Goods and services tax on your purchases and expenses	Total purchases and expenses (including GST) for which tax invoicing requirements have been met—excluding any imported goods	11	\$	2 925 00
	Multiply the amount in Box 11 by three (3) and then divide by twenty-three (23)	12	\$	387 52
Declaration	Credit adjustments from your calculation sheet	13	\$	0 00
The information in this return is true and correct and represents my assessment as required under the Tax Administration Act 1994.	Add Box 12 and Box 13. This is your total GST credit for purchases and expenses	14	\$	387 52
Signature	Print the difference between Box 10 and Box 14 here	15	\$	
Date	If Box 14 is larger than Box 10 the difference is your GST refund If Box 10 is larger than Box 14 the difference is GST to pay			(Tick one) Refund <input type="radio"/> GST to pay <input type="radio"/>
	Has payment been made electronically? Yes <input type="radio"/> No <input type="radio"/>			

Example: Completing the boxes incorrectly

Goods and services tax on your purchases and expenses	Total purchases and expenses (including GST) for which tax invoicing requirements have been met—excluding any imported goods	11	\$	2 925
	Multiply the amount in Box 11 by three (3) and then divide by twenty-three (23)	12	\$	387 52
Declaration	Credit adjustments from your calculation sheet	13	\$	Nil
The information in this return is true and correct and represents my assessment as required under the Tax Administration Act 1994.	Add Box 12 and Box 13. This is your total GST credit for purchases and expenses	14	\$	387 52
Signature	Print the difference between Box 10 and Box 14 here	15	\$	
Date	If Box 14 is larger than Box 10 the difference is your GST refund If Box 10 is larger than Box 14 the difference is GST to pay			(Tick one) Refund <input type="radio"/> GST to pay <input type="radio"/>
	Has payment been made electronically? Yes <input type="radio"/> No <input type="radio"/>			

Finding redundancy information online

You've told us it's not always easy to find information on our website about the tax treatment of redundancy payments. Let's look at what's on www.ird.govt.nz

Redundancy is considered to be a bonus payment and taxed at the lump sum rates. You'll find redundancy information if you search for "bonuses", then on the "Bonuses" webpage you'll find "Taxing redundancy and retiring payments".

Our Employer's guide (IR 335) gives comprehensive information as well as some useful examples. Go to the "Other payments" section on pages 35–43.

For tax rates and examples see "Lump sum payments" in the *Weekly and fortnightly PAYE deduction tables (IR 340)*. Be sure to choose the 2012 version.

Our Retiring allowances and redundancy payment (IR 277) guide is useful for your employees. Keep a copy on hand or refer them to our website

You can find all our guides under "Forms and guides" at www.ird.govt.nz

