



New Zealand
Payroll Practitioners
Association

Developing and Supporting
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New Zealand Tax System



New Zealand's tax system

New Zealand residents must pay income tax in New Zealand on their worldwide income. If you're a New Zealand resident, most of the income you receive will be subject to tax. This includes income from personal effort, investments, benefits, pensions and overseas income.

Inland Revenue is the main government department that administers tax laws and collects tax payments. New Zealand Customs also collects some taxes and duties on imported goods.

New Zealand's tax system relies on people's honesty in complying with the tax laws. It's important you understand your tax responsibilities, to avoid being penalised.



Tax residence

The residence rules set out in the tax laws are different from the normal citizenship rules. Having New Zealand citizenship or permanent residence doesn't necessarily mean you're a resident for tax purposes. On the other hand, you could be a resident for tax purposes, but not hold citizenship here.

As an individual, you're a New Zealand resident for tax purposes if you meet any of these three conditions:

- The employee is in New Zealand for more than 183 days in any 12-month period.
- The employee has an “**enduring relationship**” with New Zealand.
- The employee is overseas in the service of the New Zealand government.



The 183-day rule

If the employee is in New Zealand for more than 183 days in any 12-month period, the employee will be considered to be a New Zealand resident from the first day they were here.

The 183 days don't have to be consecutive.

For example:

- If the employee came to New Zealand for 10 days in April and then return for 20 days in September of the same year, that will be counted as 30 days.
- If the employee is in New Zealand for part of a day, this is counted as being a whole day.
- This means that the days the employee has to arrive or depart are treated as days present in New Zealand.



An enduring relationship with New Zealand

The Income Tax Act 2007 says that anyone who has a permanent place of abode in New Zealand will be a New Zealand resident for tax purposes. “Permanent place of abode” doesn’t only mean the building the employee lives in—it covers all their links and ties with New Zealand.

These may be social, physical, economic, financial or personal links. Overall, the test could be described as whether the employee has an enduring relationship with New Zealand.

Does the employee have an enduring relationship with New Zealand?

Criteria IRD will consider:

Presence in New Zealand	whether the employee are here continuously or from time to time
Accommodation	whether the employee own, lease or have access to property in New Zealand
Social ties	where the employees immediate family lives, if the employee has children being educated here, if the employee belong to any New Zealand clubs, associations or organisations
Economic ties	if the employee has bank accounts, credit cards, investments, life insurance or superannuation funds here
Employment	if the employee is employed, if they have employment to return to, the terms of any employment contract
Personal property	if the employee has any vehicles, clothing, furniture or other property or possessions kept here permanently
Intentions	whether the employee intends to live in New Zealand or return overseas after a time
Benefits, pensions and other payments	whether the employee receives any welfare benefits, pensions or other payments from New Zealand



End of Year and New Zealand Balance dates

New Zealand's tax year runs from 1 April to 31 March.

Some individuals, all self-employed people and businesses have to fill in a tax return after 31 March each year to declare all their income and tax paid.

Some self-employed people and businesses have a balance date other than 31 March, e.g., some farmers have a 30 June balance date. Depending on the circumstances, IRD may give approval for other self-employed people and businesses to have a different balance date.

Employee End of Year Earnings Certificates

Employers do not need to provide an end of year earnings certificate to their employees. The information on employee's taxable earnings is sent through via payday reporting (when the employee is paid) to IRD as part of the overall earnings record for the employee.

Employees can logon to their own personal tax account on the IRD website. With pay day filing the majority of employees do not have to file an annual return as all of their earnings are automatically filed with IRD.



Income tax

In New Zealand, these types of income are subject to income tax:

- salary and wages
- business and self-employed income
- most social security benefits
- income from investments
- rental income
- profit from selling capital assets, in some circumstances (this doesn't usually apply to personal assets sold)
- income that a New Zealand resident earns from overseas.

The level of the employee's total gross income will determine what tax rates they should use.



Graduated Tax System

Income tax for an employee is not set at one rate (except if defined in an IR23).

Income tax rates are applied to the income range so what this means if the employees wage or salary goes over a number of taxable income ranges they are taxed at the rate for each income range.

Current Tax Rates for tax year 2020-2021:

Taxable income	Income tax rates for every \$1 of taxable income (excl ACC earners' levy)	PAYE rates for every \$1 of taxable income (incl ACC earners' levy)
up to \$14,000	10.5 cents	11.89 cents
from \$14,001 to \$48,000	17.5 cents	18.89 cents
from \$48,001 to \$70,000	30 cents	31.39 cents
\$70,001 and over	33 cents	34.39 cents
No-notification	45 cents	46.39 cents



Overview of Employer responsibilities (IRD)

Make sure new employees fill in a *Tax code declaration (IR330)*

This will tell you:

- the tax code to use, and
- the rate of tax to take out of their wage.
- If any employees don't fill in an IR330, you must deduct tax from their wages at a higher rate (called the no-declaration rate).

Deduct PAYE from your employees' wages

- You pay this to IRD either once or twice a month, depending on the total amount of wages you pay.
- PAYE includes the ACC earners' levy, to cover the cost of employees' non-work injuries.
- Employers that electronically file with IRD using payday filing can offer their employees payroll giving. This scheme gives employees the opportunity to donate to approved donee organisations from their pay and receive an immediate tax credit.

Complete employer returns

- Once the employer has set up an employer account through myIR they can payday file sending employee earnings information two days from when the employee is paid
- Employer deductions can be paid either once or twice monthly depending on the employer being a small or large employer.

Pay fringe benefit tax if required (this is not covered in this course as it is not a core function of payroll)

If you supply fringe benefits (perks) to your employees, you will need to send IRD a fringe benefit tax payment by the due date and either a:

- *Fringe benefit tax quarterly return (IR420)*, or
- *Fringe benefit tax income year return (IR421)*, or
- *Fringe benefit tax annual return (IR422)*.

Make any further deductions from employees' wages if required

- Other deductions may be child support, student loan, ESCT, or KiwiSaver contributions.



Registering as an employer

Once it has been identified by the employer that employee/s will be employed, the employer will need to register with the IRD as an employer.

The form to use to register as an employer is the employer registration (IR334) form.

Registration can be done by filling in the form and sending it in or by doing it online.

Once your employer registration has been received and accepted by IRD the employer will receive an employer's information pack that includes:

- Employers Guide IR335
- PAYE deduction tables
- Tax code declaration (IR330)
- You will receive a Fringe Benefit Tax Guide (IR409) if you answer **"Yes"** to Question 13 on the employer registration form



Employer registration

IR334
June 2016

• You can register online through our website www.ird.govt.nz and go to "Get it done Online" then "Employers" then "register as an employer"
• Please answer all questions, sign the declaration and submit the registration after you have begun employing.

1. IRD number (8 digit numbers start in the second box: 1 2 3 4 5 6 7 8)
If the person or the entity registering doesn't have an IRD number, complete and attach an IRD number application form (IR595) or (IR596) with this registration.
2. Print the full name of the person or entity, eg, partnership, trust or society, or the registered name of the company (don't show a trade name).
3. If the trade name is different from the name shown above, print it here.
4. Employer's place of business (don't show a box number).
Street address
Suburb or RD Town or city
5. Print the employer's usual postal address if it is different from the street address.
Street address or PO Box number
Suburb, box lobby or RD Town or city
If you use a tax agent to prepare your employer returns, don't show their address here. Please ask your agent to link you as a client and give us the address for your employer mail.
6. Print contact telephone number(s). () Business () Mobile phone or after hours () Fax
7. Your email address
We'll use this to automatically register you for our online updates and newsletter. You can opt out at any time.
☐ Please tick here to authorise us to update your records if the details you have supplied are different to what we currently have recorded.
8. When will you start employing?
Day Month Year
This is the date when you will be registered as an employer and will need to complete an Employer Deduction Form (IR345) and Employer Monthly Schedule (IR346) for that month.
If this is a future date, please submit this after you have begun employing.
You can view a copy of the PAYE deduction tables at www.ird.govt.nz or use the online PAYE calculators.
9. BIC (business industry classification) code
Please supply a business description and number
If you do not have your number you can get it from the Business Industry Description and Code website.
10. Print the number of your employees, including contractors who receive schedular payments.
11. Will any of your employees have a student loan? ☐ Yes ☐ No
12. Will you be providing fringe benefits to your employees?
See the note below for more information on fringe benefits. ☐ Yes - go to Question 13. ☐ No - go to Question 14.
Note: Most benefits given to employees in addition to their salary or wages are fringe benefits. These include motor vehicles, low-interest loans, free, subsidised or discounted goods and services, and employer contributions to sick or death benefit funds, superannuation schemes (other than employer's superannuation contributions), specified insurance policies and some accident insurance schemes. If a benefit you give an employee is a fringe benefit, you will generally be liable for FBT (fringe benefit tax), if you ticked "Yes" at Question 12 read our *Fringe benefit tax guide (IR409)*. You can view this at www.ird.govt.nz