



New Zealand  
Payroll Practitioners  
Association

Developing and Supporting  
Payroll Professionals

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# Employees with tailored tax codes





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A tailored tax code can help an employee to pay the right amount of tax when they get paid, which means they'll avoid a large tax bill or refund at the end of the year.

A tailored tax code is applied for by the employee, payroll only applies what has been approved by IRD.

If IRD give one of your employees a tailored tax code certificate it will be valid from the date IRD approve it until the end of the tax year (31 March). When it's about to expire, IRD will contact your employee through myIR in time for them to reapply. They will then have to give their employer the new tailored tax code certificate.

If your employee stops using a tailored tax code they will need to complete a new Tax code declaration - IR330.



## How a tailored tax code or rate works for the employee:

- A tailored tax code or rate is based on the information the employee gives to IRD. Because their income will be an estimate, IRD can only work out the exact amount of tax they must pay for the year when they complete your income tax return.
- Tailored tax codes are valid for one tax year. IRD will automatically send a renewal form to the employee to re-apply before 20 February each year.
- Some tailored tax rates may be issued for up to five years. IRD will determine the length based on the employee's compliance history.
- A tailored tax code or rate takes effect either from 1 April, or from the day IRD approve it. It cannot be backdated.
- A tailored tax code cannot be applied to an income-tested benefit (except for New Zealand Superannuation or Veterans Pension).
- If IRD ask the employee to send back their tailored tax code or rate certificate, they must do this within 7 days.
- The employee must tell IRD if their circumstances change during the year (eg, their income goes down) or the employee may end up with a large tax bill at the end of the year.



## Tailored Tax Code (ir23)

On the IR23 there are five types of deductions. One or all of these types may be selected, and the employer will need to action any that are included. The types are:

- Type of tax code to be used for PAYE deductions
- The rate in cents for the deduction
- Schedular payment rate in cents
- Earners levy deductions rate in cents
- Student loan rate in cents

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

IR 23  
February 2002  
No. 532475

**Special tax code or deduction rate**

IRD number → IRD number 01591186

Name and address of holder → Work and Income NZ number [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]  
Employee's name Matt Finnick  
Employee's address 15 Kahapo Creek  
GREYMOUTH

Expiry date of certificate → Valid from 01/04/2004 to 31/03/2005  
Day Month Year Day Month Year

Name of employer. If more than one employer, wording is "to whom it may concern" → To: Paula Reid Photographer

Deduct at the rate indicated with a X → 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
- ☒ earners levy deductions—multiply gross income by .012
- ☐ 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 (IR 330) to use after that date.

This certificate is issued under the Income Tax Act 1994, the Income Tax (Withholding Payments) Regulations 1970, the Accident Rehabilitation and Compensation Insurance Act 1992, the Accident Insurance Act 1996, and the Student Loan Scheme Act 1992.

The certificate is invalid unless it's signed → Area Manager/Centre Manager [Signature] 19/3/2004  
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 [Signature] 26/3/2004  
Date