

**Budget 2024 – Payroll
and other tax updates**

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Introduction

Your speaker



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Overview

- Threshold changes
- Consequential changes
- Inland Revenue funding



Threshold Changes:

The old vs the new

For year ended 31 March 2024				For year ended 31 March 2026			
Income bracket	Rate	Tax	Cumulative	Income bracket	Rate	Tax	Cumulative
\$0 - \$14,000	10.5%	\$1,470	\$1,470	\$0 - \$15,600	10.5%	\$1,638	\$1,638
\$14,001 - \$48,000	17.5%	\$5,950	\$7,420	\$15,601 - \$53,500	17.5%	\$6,633	\$8,271
\$48,001 - \$70,000	30%	\$6,600	\$14,020	\$53,501 - \$78,100	30%	\$7,380	\$15,651
\$70,000 - \$180,000	33%	\$36,300	\$50,320	\$78,101 - \$180,000	33%	\$33,627	\$49,278
\$180,000 upwards	39%		\$50,320 +	\$180,000 upwards	39%		\$49,278 +

**with effect from 31 July 2024!*

**that's mid-year!*

**that's mid-week!*

Transitional year to 31 March 2025

For year ended 31 March 2025			
Income bracket	Rate	Tax	Cumulative
\$0 - \$14,000	10.5%	\$1,470	\$1,470
\$14,001 - \$15,600	12.82%	\$205.12	\$1,675.12
\$15,601 - \$48,000	17.5%	\$5,670	\$7,345.12
\$48,001 - \$53,500	21.64%	\$1,190.20	\$8,535.32
\$53,501 - \$70,000	30%	\$4,950	\$13,485.32
\$70,001 - \$78,100	30.99%	\$2,510.19	\$15,995.51
\$78,100 - \$180,000	33%	\$33,627	\$49,622.51
\$180,000 upwards	39%		\$49,622.51 +

Income tax saving per week*		
Annual income	This year	Next year
\$15,000	\$0.90	\$1.35
\$25,000	\$1.44	\$2.15
\$35,000	\$1.44	\$2.15
\$45,000	\$1.44	\$2.15
\$55,000	\$10.28	\$15.38
\$65,000	\$10.28	\$15.38
\$75,000	\$12.22	\$18.26
\$85,000	\$13.41	\$20.05
\$95,000 +	\$13.41	\$20.05

**ignoring impact of IETC, and other 2024 budget changes*

Practical considerations for payroll

- When will your payroll system be updated? Communication with employees.
- Consider payroll cut-off across your employees based on pay day as follows:

Pay period ended	Employee paid on	PAYE table to use
31 July 2024 or before	30 July 2024 or before	1 April 2024 to 31 July 2024
31 July 2024 or before	31 July 2024	31 July 2024 onwards
1 August 2024 or after	1 August 2024 or after	31 July 2024 onwards

Use the PAYE tax tables that apply on the day the PAYE income payment is made to your employees

- Extra pay – Until 1 April 2025, use personal income tax thresholds 1 April 2024 to July 2024 (i.e. old tax thresholds) to minimise risk of employees getting a large end of year tax bill.
- Income earned pre and post changes could give rise to an end of year tax liability for some employees.
- Consider prompting updated IR330s from those employees with a secondary tax code.
- Tailored tax codes automatically updated by Inland Revenue.
- Changes to independent earners tax credits (“IETC”) for those with ME SL or ME tax codes – should be automatic through payroll software updates and/or based on updated PAYE tables from 31 July 2024.



Consequential changes:

Consequential changes

- **Fringe Benefit Taxes** – New rates from 1 April 2025, but attribution formula change from 1 April 2024
- Change to FBT attribution formula needed to ensure correct economic outcomes. New formula is:

tax on all-inclusive pay – FBT on net cash pay.

Where: - **all-inclusive pay** is the sum of net cash pay and the value of taxable fringe benefits received by the employee

- **net cash pay** is the cash left in hand of the employee after tax, ie: cash pay – tax on cash pay.

FBT rates from 1 April 2025	
Range of all-inclusive pay	FBT rate
\$0 - \$13,962	11.73%
\$13,963 - \$45,230	21.21%
\$45,231 - \$62,450	42.86%
\$62,451 - \$130,723	49.25%
\$130,724 +	63.93%

Consequential changes

- Resident Withholding Tax (“RWT”) – from 31 July 2024
- Employer Superannuation Contribution Tax (“ESCT”) – from 1 April 2025

For year ended 31 March 2026	
ESCT threshold amount	Tax rate
\$0 - \$18,720	10.5%
\$18,721 - \$64,200	17.5%
\$64,201 - \$93,720	30%
\$93,721 - \$216,000	33%
\$216,000 +	39%

- Retirement Scheme Contribution Tax (“RSCT”) – from 1 April 2025
- Prescribed Investor Rate (“PIR”) - from 1 April 2025



Inland Revenue funding

Setting the scene: Inland Revenue's perspective

Quotes from Tony Morris: Customer Segment Lead, Significant Enterprises

You can expect to see a scaling up of the broad range of compliance activities from Inland Revenue to support our customers, and see us being more visible and proactive to ensure our business customers meet their obligations, with things like **auditing** and the enforcement end of compliance too

IR has been steadily rebalancing our work programme post-COVID, including increasing our **audit** activity and being more active with the tax agent community

Inland Revenue are increasingly using data and analytics to determine where and how to **target** our compliance efforts

Where Inland Revenue is in pre-audit discussions with customers, they'll be moving to a formal **audit** earlier to assist in finalising any areas of disagreement earlier

[Inland] Revenue are looking at **more audits** in the SE sector. These audits will largely be across the BCP population



Show us the money

Budget 2024

Investment in Compliance Activities

This initiative provides funding for and shows an increase in tax revenue from Inland Revenue's increased compliance activities on tax and student loan overseas-based borrowers, including those returning to or visiting New Zealand. There are further flow on impacts on Student Loans that are managed outside allowances, in keeping with the standard approach.

Vote	2023/24	2024/25	2025/26	2026/27	2027/28	Operating Total	Capital Total
Revenue	-	29.000	29.000	29.000	29.000	116.000	-
Revenue (IRD-Crown)	-	(99.000)	(201.000)	(201.000)	(201.000)	(702.000)	-

“An Inland Revenue spokesperson said it had been funded for **just over 200 permanent staff** to undertake “additional compliance activity”.

“In addition to enforcement, that includes work designed to make it harder for people to get their tax obligations wrong. The staff would be a **mix of existing employees** who would be redeployed to tax compliance and **new recruits**, she said.”

The Post, 4 June 2024



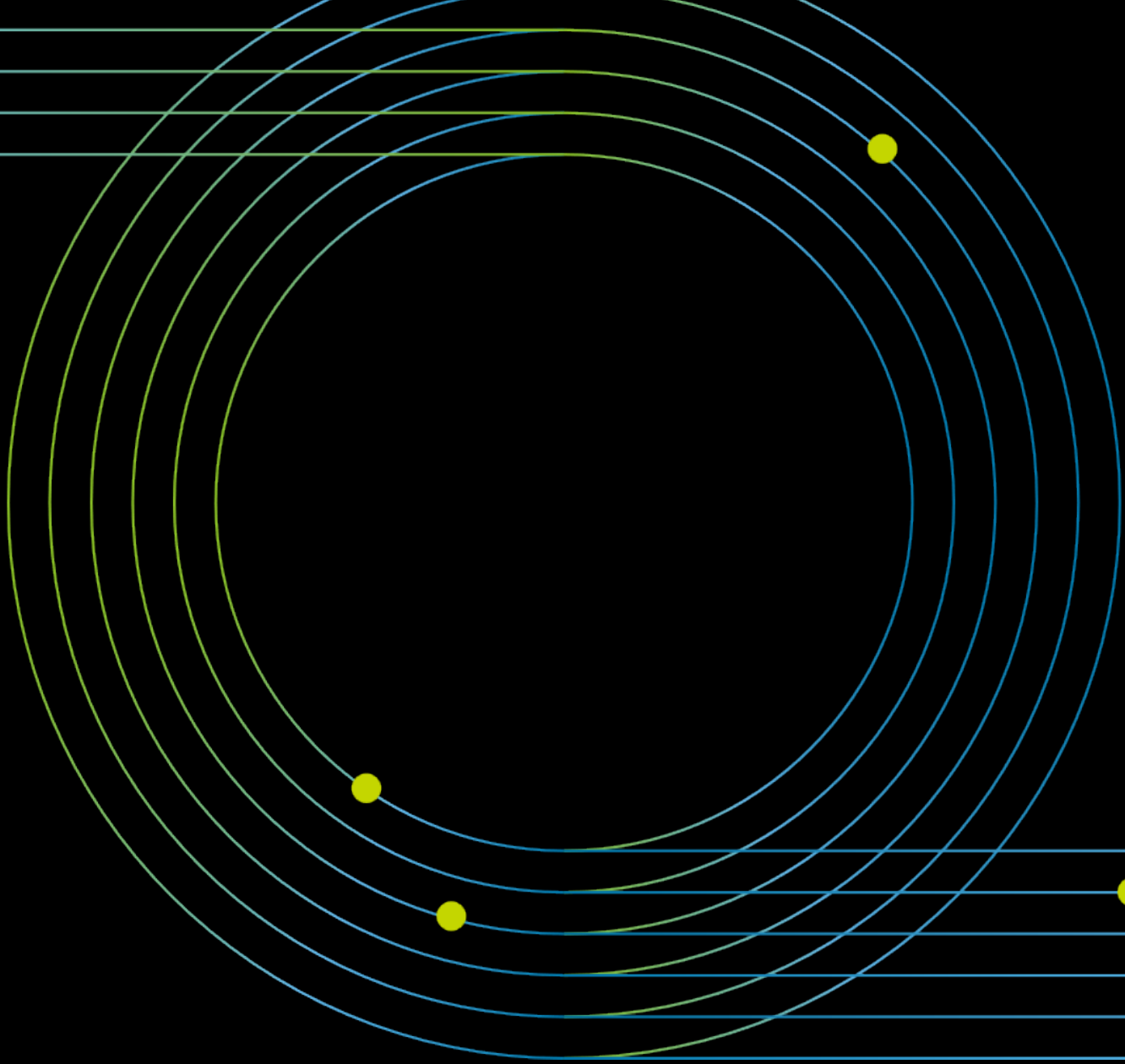
Areas of Focus

- Pre-audit to audit much quicker
- Picking up the phone more
- Increased visibility – onsite
- SE focus – MNEs, corporate restructuring, HNWI
- Current BCP – “Pre-audit” select, initial meeting, outstanding issues to audit quickly
- New BCP questionnaire – issue with returns prepared offshore
- GST, FBT and Governance questionnaires
- Employment taxes / FBT
 - S123 payments
 - Motor vehicles
 - Employee share schemes



Housekeeping

Best practice



Being audit-ready

- Governance
- Taking Inland Revenue on the journey
 - Binding rulings / other products
- Transaction / compliance manuals
 - Don't "set and forget"
- Participating advisor reviews
- Other
 - Tax pooling
 - Taxpayer NOPA
 - Defence file



Concluding remarks

Managing downside and contingency planning

Be the author of your own destiny – preparation and health checks are key

Take Inland Revenue on the journey – making informed risk management decisions



QUESTIONS?





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