

# Important Facts Employers Need to Know

## *as from 1 April 2009*

There are many legislative changes coming into effect on 1 April 2009 which affects you as an Employer.

We summarise these changes for you below and you will need to familiarise yourself with these and how they will affect your own employees.

### **New Tax Codes for some of your Employees**

A new Independent Earner Tax Credit can be claimed by some of your employees each payday through them paying less PAYE for the week.

This is only available to your employees that earn between \$24,000 and \$48,000 in a tax year.

To also be eligible they **must not receive** any of the following:

- Working for Families Tax Credits
- An income tested benefit, including DPB, Emergency benefit, Independent youth benefit, invalids' benefit, sickness benefit, Unemployment benefit, widows' benefit;
- NZ Superannuation
- A Veteran's pension or a foreign equivalent of any of the above.

If the employee meets the above criteria they will be eligible for an extra \$10 per week if they earn between \$24000 and \$44000 per year. Eligible employees earning between \$44000 and \$48000, the weekly rebate will decrease by 13 cents for every additional dollar earned. (This Rebate will increase to \$15 per week from 1 April 2010).

What this means for you – your employees that are eligible for this Rebate will need to fill in a new IR330 Tax Form with the new tax code of either **ME or MESL** to be able to claim it. This will need to be done prior to 1 April 2009 so they may receive their full entitlement from that date.

A salary or wage earner will receive this rebate through their weekly pay and a self-employed person or Contractor will claim it at the end of the year when filing a Tax Return.

The ME tax code can only be used for one main job.

If you receive a student allowance, ACC payments, paid parental leave or accommodation supplement you will still be eligible for the IETC if you meet the eligibility criteria.

There will also be a new tax code of NSW – Non-resident Seasonal Worker.

These employees will be taxed at a flat rate of 17cents in the dollar and the ACC Earner Levy rate of 0.017 will also be applied.

## **New Minimum Wage Rates from 1 April 2009**

The Adult minimum rate will increase from \$12 to \$12.50 and the youth minimum rate will increase from \$9.60 to \$10.00. Remember that the youth rate must be changed to the adult rate if the employee has worked over 200 hours or longer than 3 months.

## **New ACC Levy Rate for Employees**

The rate will increase from \$1.40 to \$1.70 per \$100 of earnings. This is deducted at the time of deducting PAYE from employees.

The maximum earnings on which the earner's levy will be deducted is \$106,473.

## **Special Tax Codes**

If you have employees on special tax codes they will need to re-apply to IRD for these if they cease on 31 March or they will revert to normal tax rates.

## **Student Loan Threshold**

The Student Loan threshold will increase from \$18148 to \$19084.

## **New PAYE Tax Rates payable**

<b><u>Current PAYE rates and thresholds</u></b>		<b><u>New Rates and thresholds 1/4/09</u></b>	
Income to \$14,000.00	19.9%	Income to \$14,000.00	14.2%
\$14,001.00 - \$40,000.00	22.4%	\$14,000.00 - \$40,000.00	22.7%
\$40,001.00 - \$70,000.00	34.4%	\$40,001.00 - \$70,000.00	34.7%
\$70,001.00 and over	40.4%	\$70,000.00 and over	37.7%

These rates include the new ACC of \$1.70 per \$100 of earnings.

As you will see an employee who is eligible for the Independent Earner Tax Credit must fill in a new IR330 form to get the benefit from lower tax in their paypacket.

## **Changes to Kiwisaver legislation**

The main changes will be –

If an employee is a member of Kiwisaver, they will be able to reduce the amount they contribute down to 2% if they wish as from 1 April 2009.

To do this they must either fill in a new KS2 Kiwisaver Deduction Form or write a letter to their employer.

If new employees don't advise the amount to be contributed, they will automatically be deducted at 2% (instead of the original 4%).

Employers will be liable to pay 2% as their compulsory contribution (instead of the original 1%). If as an employer you contribute more than the 2% compulsory, from 1 April 2009 you will have to pay tax on the portion of the contribution above 2%. This means there will be less money going into the employee's Kiwisaver Account.

The taxation (ESCT) can be taxed at a flat rate of 33cents in the dollar, or at an optional ESCT rate based on either the annual wages paid to the employee in the previous tax year, or an estimate of the total amount of wages that the employee will earn in the year ahead. This option is offered at the discretion of the employer.

Also the employer contribution can be treated as salary or wages, if agreed with the employee.

If the employee decides to reduce their contribution from either the 8% or 4% they are now paying to 2%, this may affect the amount of Member Tax Credit they receive which will depend on how much they are earning in the tax year.

If eligible, the Government will pay into the employee's Kiwisaver Scheme an annual member tax credit matching the employee's contributions up to \$1042.86 per year (this works out to about \$20 per week). If the employee reduces their contribution to 2%, they may find they may not contribute enough to receive the maximum member tax credit. If this was the case, they could always make a voluntary payment to bring their total contributions up to the \$1042.86 each year.

**This means if the employee's income is less than \$52000 and they reduce their contributions to 2% of gross pay, they will need to make voluntary contributions to receive the maximum member tax credit.**

The \$40 annual fee subsidy paid by the Government each year to help cover the cost of fees charged on your Kiwisaver Account will be removed as from 1 April 2009.

The Employer Tax Credit (ETC) you have been receiving from the Government will be removed from 1 April 2009.

There was to be a square-up after 31 March to ensure employers had received all the ETC that they were entitled to for the past year, but it looks very likely that this will not now happen. Therefore it is very important for employers who prepare their own wages, to check their claims they have made against ETC over the past year and ensure that they have received their full entitlement.

For the payrolls that are prepared by us, we have ensured that this happened each month when entitled to it.

The Kiwisaver forms and booklets that you may be holding will have to be replaced as from 1 April 2009.

It is the employer's responsibility to advise all employees of Kiwisaver changes and to inform new employees about the Scheme.

### Monthly Employer Schedule (IR348)

IRD have confirmed that a Student may be a member of Kiwisaver but that they must have an IRD number. They therefore have to be included on the IR348 schedule showing gross wages and Kiwisaver deductions, even though no tax has been deducted.

### Legislation under Discussion for Employers

A report is due regarding Charity Giving for Employees. Basically this would result in employees being able to choose to make a donation payment to a Charity from their wages and they would receive the donations rebate from their PAYE in the week they have given rather than waiting until year-end.

Employers will be responsible for ensuring that the payroll donations are transferred to those organisations. This will be voluntary for employers and employees.

**If you have any questions regarding any of the above, or any other payroll issues that may arise, please contact our Payroll Department, who have the legislative knowledge to be able to help you.**

**Payroll is a very specialised area and your own staff may not have the required knowledge to deal with complex employment questions that arise from time to time with your employees.**



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