

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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Inland Revenue
Te Tari Taake

REMINDERS

7 October: 2015 *Fringe benefit shareholder/employee income year tax return (IR421)* due if you have a November balance date and don't have a tax agent with a valid extension of time.

20 October: Employer returns and payment due for the period ending 30 September 2016 (if you have less than \$500,000 PAYE a year). *Fringe benefit tax quarterly return (IR420)* is due for the quarter ending 30 September 2016.

28 October: GST return and payment due for the period ending 30 September 2016.

Note: If a due date falls on a weekend, public holiday or provincial anniversary day, we can receive your return and payment on the next working day without a penalty being applied.

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

What employers need to know about KiwiSaver

You play an important role in helping your employees save for their retirement. To help you get it right for you and your employees, we've created a summary of what you need to do.

Make KiwiSaver available to all eligible employees

You must provide KiwiSaver information to all new employees who are eligible to join. Give them a copy of the:

- *Your introduction to KiwiSaver - employee information (KS3)* factsheet
- *KiwiSaver deduction form (KS2)*, and
- *New employee opt-out request (KS10)* form.

If an existing employee asks about KiwiSaver, give them a copy of the KS3 and KS2.

Employees are eligible to join when they're:

- aged 18 to 64
- living, or normally living, in New Zealand, and
- entitled to live in New Zealand permanently.

New employees who are already a KiwiSaver member can't opt-out.

KiwiSaver deductions and employer contributions

When you employ KiwiSaver members, every pay period:

- deduct KiwiSaver from their pay (before tax). The employee can choose a rate of 3%, 4% or 8%
- pay employer contributions based on their pay (before tax). These are at the rate of 3% (or higher).

You deduct employer superannuation contributions tax (ESCT) from the employer contributions you make. The ESCT rate is determined by the employee's yearly income and the amount of your employer contributions.

You send KiwiSaver deductions, employer contributions and ESCT to us on your *Employer monthly schedule (IR348)* and *Employer deductions (IR345)* form.

If an employee gives you a contributions holiday letter, stop KiwiSaver deductions and employer contributions for the period shown on the letter.

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Temporary and casual employees

You don't have to enrol temporary employees for KiwiSaver. Temporary employees are employed for 28 days or less, or employed to work "as and when" required without a specific end date, for 28 days or less. But if an employee is already a member and gives you a KS2, you must deduct KiwiSaver and pay employer contributions.

More information

There is more to know about your role as an employer in KiwiSaver. For all the information go to www.ird.govt.nz/kiwisaver/employers

Exceptions to standard student loan deductions

Your employees may give you any of the following certificates or tax codes. These will change how much you deduct for their student loan.

The certificate will include the period the new deduction rate applies for. Your employee must give you a new certificate when the current one expires. If they don't, start making deductions at the standard rate.

Certificate or tax code	Effect on deductions
Repayment deduction exemption certificate	No student loan deductions made from their pay. Don't use a tax code with the "SL" repayment code.
Special deduction rate certificate	Make student loan deductions at the rate shown on the certificate. Use a tax code with the "SL" repayment code.
Casual agricultural workers (CAE) Election day workers (EDW) Schedular payments (WT)	No student loan deductions made from their pay. Don't use a tax code with the "SL" repayment code.

For more information about tax codes and student loan deductions, go to www.ird.govt.nz (search keywords: tax codes payroll).

Student loan extra deductions

Employees can request extra deductions be made towards their student loan. Voluntary extra deductions can be started and stopped at any time.

In some situations an employee may underpay their student loan. If this happens we'll send you a compulsory extra deduction notice. These extra deductions can be stopped once the amount on the notice has been repaid.

Voluntary extra deductions (SLBOR)	Make extra student loan deductions of an amount the employee chooses. Show voluntary extra deductions separately to the employee's regular income details and use the tax code SLBOR.
Compulsory extra deductions (SLCIR)	Make extra student loan deductions at the rate shown on the compulsory extra deduction notice. Show compulsory extra deductions separately to the employee's regular income details and use the tax code SLCIR.

For more information about student loan extra deductions, go to www.ird.govt.nz (search keywords: extra deductions).

Entertainment expenses - gifts of food and drink

The entertainment expense rules limit tax deductions for certain types of expenses to 50% of the cost.

One type of expense covered is the expense of providing food and drink off business premises.

This means that spending on things like chocolates or a bottle of wine to give as gifts to customers, clients or suppliers for example, is only 50% deductible.

If the items are purchased as a gift basket or together with other items that aren't food and drink, the expense must be apportioned between fully deductible and not fully deductible.

Operational position on deducting expenses

The above information is different to two items that appeared in previous *Business Tax Update* newsletters (Issue 26, December 2011 and Issue 27, February 2012).

The Commissioner considers the correct position to be as set out above, and will apply this to tax positions taken starting 1 September 2016.

The Commissioner has an Operational Position for this type of expenditure, with further details. It's available at www.ird.govt.nz (search keywords: position deduct).

Non-resident businesses supplying remote services

Non-resident businesses, that meet the GST registration criteria, will be required to charge and return GST on any remote (including online) services they supply to New Zealand resident customers. This came into effect on 1 October 2016.

New Zealand GST-registered businesses will not be charged GST so long as:

- the remote services you are buying are part of your taxable activity, and
- you advise the non-resident supplier you are GST registered.

For more information go to www.ird.govt.nz (search keyword: non-resident and GST).

Credits from changes to KiwiSaver deductions

In some situations you may need to change an employee's KiwiSaver deductions or employer contributions on an *Employer monthly schedule (IR348)* you've already filed. You can make the changes by completing an *Employer monthly schedule amendment (IR344)* form.

If you're expecting a refund or credit transfer from any changes, there'll be a delay if we have to request the credits be returned from the scheme provider. Please take this delay in to account when requesting any changes.

