

BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

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REMINDERS

Allowances: Do you pay your employee(s) an allowance? Find out about the different types of allowances, and if they're tax-free, at www.ird.govt.nz (search keyword: allowances).

Buyer-created invoices: If you have approval to issue buyer-created invoices for GST, make sure they include the correct information. Find out about buyer-created invoices at www.ird.govt.nz (search keyword: buyer-created).

Making payments: Make sure your payment goes where it should by including the right details when you pay it. Find out your payment options and the different account (tax) types at www.ird.govt.nz/how-to/making-payments

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

Food and accommodation for working hours

You may have people working for you in exchange for food and accommodation. Providing food and accommodation in exchange for work has tax implications that you should be aware of. You will need to register as an employer and file employer monthly schedules, if you haven't already.

Receiving "gain or reward" for work done is paid employment

A lot of places call working in exchange for food and/or accommodation "volunteer work". This is incorrect.

Receiving "gain or reward" for work means the person is in paid employment. Food and accommodation is a gain or reward.

Make sure the person can work in New Zealand

Before a potential employee can start working for you, you need to make sure they can work in New Zealand. They may need a work permit. Only citizens and permanent residents of NZ and Australia may work in NZ without one. Part 3 of the *Tax code declaration (IR330)* covers this. For further information on work permits go to www.immigration.govt.nz

Understand your employees' minimum rights

An employee's minimum rights are set out in law. It's the responsibility of the employer to protect employees at work. Find out more on the Ministry of Business, Innovation and Employment website www.employment.govt.nz (search keywords: minimum rights).

Meet your employer tax obligations

For each employee you hire, you need to:

- get a completed *Tax code declaration (IR330)*
- check if they are eligible to join KiwiSaver and if they should be automatically enrolled

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- 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.
- work out and deduct PAYE from your employee's wages, and on the market value of any accommodation provided or from the amount of the accommodation allowance paid to them
- keep appropriate records of income and deductions (such as a wage book).

You also need to file employer returns and pay your employees' deductions to us.

Find out more on our website at www.ird.govt.nz/payroll-employers

Calculation of a fringe benefit tax day for private use of motor vehicle

Fringe benefit tax (FBT) is payable for any whole or part day (24-hour period) a motor vehicle is available for private use.

The default FBT day starts from midnight, unless an alternative start time, eg 9am is elected. If a vehicle is taken home overnight, it will generally incur two days' FBT.

Example:

Default FBT day applies and the motor vehicle isn't used for out-of-town travel

An employee takes a work car home at 6pm for an early start. They return the car to their employer's premises the following day at 2pm. Their employer will have to account for two days' FBT.

Electing an alternative start time applies to all motor vehicles an employer files an FBT return for. The start time will apply for at least two years. In some situations, changes to the alternative start time during the two years may be considered.

Find out more about motor vehicles and an FBT day at www.ird.govt.nz (search keyword: IR409)

If you have any questions about FBT on motor vehicles send them to FBTenquiries@ird.govt.nz. We'll respond to your question within 10 working days.

Employing casual staff over the holiday period

With the holiday period approaching, we thought it timely to remind you about your obligations if you employ students or casual staff over this period.

Like any new person working for you, students need to complete a *Tax code declaration (IR330)* that includes their IRD number and tax code. If they don't give you a completed IR330, you'll need to deduct tax at the no-notification rate. For employees, this is 45 cents in the dollar plus the ACC earners' levy (1.39 cents in the dollar for the 2017 tax year). For workers receiving schedular payments, refer to page 4 of the IR330 to find the correct rate to deduct.

Full-time students with student loans

If you employ full-time students in your business and they think they'll earn under the annual repayment threshold (\$19,084 for the 2017 tax year) they may be able to get an exemption from making student loan repayments on salary or wages you pay them. If they're granted the exemption, they'll have to give you a copy of the exemption certificate.

They can apply through their myIR Secure Online Services account at www.ird.govt.nz "Login".

Note: Earnings include any NZ Super, Veteran's Pension payments or student allowances, as well as income from other sources.

Find out more about student loan repayment deduction exemptions at www.ird.govt.nz (search keywords: repayment deduction exemptions).

KiwiSaver

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.

Kiwisaver Deduction Form (KS2)

The *Kiwisaver deduction form (KS2)* lets you know your employee's details and their chosen KiwiSaver rate. The KS2 is to be completed by:

- all new employees that meet the automatic enrolment criteria
- existing employees who want to opt into KiwiSaver, and
- KiwiSaver members who want to change their contribution rate.

What you need to do with the completed KS2

If the new employee is subject to automatic enrolment or an existing employee opts in, use the information on the KS2 to complete the *Kiwisaver employee details (KS1)* form.

Keep completed KS2s with your records for at least seven years following the last salary or wage payment you make to the employee. Please don't send them to us.

For more information about KiwiSaver go to www.kiwisaver.govt.nz or call us on 0800 549 472.

New factsheet - Working in the real estate industry (IR830)

We've been working with real estate agents to understand their common issues around tax. We've taken their feedback and created a factsheet specific to the real estate industry. It provides information on GST, income tax and business expenses. You can find it at www.ird.govt.nz (search keyword: IR830).

Sending secure mail through myIR

If you send us a secure mail through your myIR secure online Services account, please include as much information as possible so we can help.

Use the right "account" type

Using the right account type means your secure mail will be given to someone trained in that information. This means no double handling and generally leads to you getting a quicker reply.

Include as much information as possible

We can't help if we don't know the full story. For example, if you received an error message trying to file an online return, include the full error message you received. Requesting remission of penalties charged? Let us know why the return or payment was late and what you're doing to avoid it happening again.

Understand our reply timeframes

Our maximum reply timeframe for secure mail is 15 working days. We always aim to reply earlier, but sometimes it will take up to the full timeframe. Please don't send more secure mail about the same situation day after day as this doesn't speed up our reply time.

Use our website and guides

Our website and guides explain the majority of taxes and meeting your obligations. Before sending a secure mail to understand your obligations, try out our website and guides first at www.ird.govt.nz