



Employer obligations

This factsheet explains your tax obligations as an employer including how to register, what deductions to make and what forms you must complete.

You're an employer if you:

- hire someone to work as part of your business or organisation, and
- control the manner in which the person works, and
- supply any equipment for that person to use when working for you.

It's important that you know whether the people who work for you are your employees or are self-employed. In most cases it will be quite clear, but if you need help, check our publications *Self-employed or an employee? (IR 336)* or *First-time employer's guide (IR 333)*. You can get them from www.ird.govt.nz or by calling 0800 257 773.

If you're an employer you'll need to register with us.

You can register online at www.ird.govt.nz "Get it done online", "Employers (payroll)". You can also register by completing our *Employer registration (IR 334)* form and sending it to us. Once you're registered with us, we'll send you an introductory letter with more detailed information about your tax obligations.

What employers must do

You need to deduct PAYE (pay as you earn) from your employees' wages each payday. Send them to us by the due date, which is monthly (on the 20th) for employers whose annual gross PAYE and ESCT (employer superannuation contribution tax) is less than \$500,000. Employers whose annual gross PAYE and ESCT is \$500,000 or more pay twice-monthly, on the 20th of the same month and the 5th of following month.

You'll need to register and pay FBT (fringe benefit tax) if you provide your employees with fringe benefits (perks).

You'll also need to contribute to your employees' KiwiSaver scheme or complying fund. Some exceptions apply—see the *KiwiSaver employer guide (KS 4)* or www.ird.govt.nz/kiwisaver for more details.

Taking on staff

Every employee who starts work for you must fill in a *Tax code declaration (IR 330)* and give it to you. Keep this form with your business records, don't send it to us.

Your employee's tax code tells you which rate to use when deducting PAYE from their wages.

If your employee doesn't fill in a tax code declaration, or leaves out some details, you must deduct PAYE at the higher "no-notification" rate.

An ACC earners' levy is included in your employee's PAYE. This levy is payable by all employees and covers the cost of non-work-related injuries (except for motor vehicle accidents).

You'll need to give new employees a KiwiSaver information pack within seven days of their starting work. This includes our factsheet *Your introduction to KiwiSaver—employee information (KS 3)*, *KiwiSaver deduction form (KS 2)* and the *New employee opt-out request (KS 10)* form. You'll also need to start making KiwiSaver deductions and making employer contributions from their first pay, if they're subject to automatic enrolment. Go to www.kiwisaver.govt.nz for more information about your employer obligations.

Deductions you may need to make

Student loan deductions – if an employee's tax code includes "SL", you must deduct student loan repayments as well as PAYE and send them both to us. Your employee may ask you to make extra deductions or we may ask you to make compulsory extra deductions. These are in addition to the normal student loan deductions.

Child support deductions – you may receive a notice from us instructing you to deduct child support payments from an employee's wages. Send these deductions to us along with the PAYE.

KiwiSaver deductions – if you're making any KiwiSaver employee deductions or employer contributions, send these to us along with the PAYE.

ESCT – any monetary contributions an employer makes to a superannuation fund for the benefit of their employees are liable for ESCT (employer superannuation contribution tax). The exception to this is if the employee and employer have agreed to treat some or all of the employer contribution as salary or wages under the PAYE rules.

Payroll giving – if you choose to offer payroll giving to your employees, you must show the amount of tax credits for payroll donations on your *Employer monthly schedule (IR 348)*. You need to be filing your IR 348 electronically using ir-File to offer payroll giving.

Forms and returns you must complete

Employer monthly schedule (EMS/IR 348)

Once a month you must complete an EMS, which has details of your employees' gross wages and deductions. On your first EMS you'll need to enter each employee's name, IRD number, tax code and start date. After that, we'll preprint this information on the EMS and you'll only need to enter details of any new employees.

You must complete the schedule showing their gross earnings, PAYE or tax on schedular payments, earnings not liable for earners' levy, child support, student loan and KiwiSaver employee deductions and net KiwiSaver employer contributions, and send it to us.

Note: You must show student loan extra deductions separately on your EMS. Use the following student loan repayment codes to identify the extra deductions:

- SLBOR – employee requests voluntary extra deductions
- SLCIR – we request you to make compulsory extra deductions.

Employers with gross annual PAYE and ESCT of less than \$500,000 will file their EMS at the same time as their *Employer deductions (IR 345)* form. This is due monthly on the 20th of the month following the month of deduction.

Employers with gross annual PAYE and ESCT of \$500,000 or more will file their EMS once a month on the 5th of the following month, which is at the same time as the payment for the period from the 16th to the end of the month. The EMS will include details of wages paid and deductions made for the whole month.

You can complete and send a paper EMS to us or file it electronically by registering for ir-File.

Employers with gross annual PAYE of \$100,000 or more must file their EMS electronically.

Employer deductions (IR 345) form

Employers must complete an *Employer deductions (IR 345)* form either once or twice a month, depending on the amount of your gross annual PAYE and ESCT. If your gross annual PAYE and ESCT is less than \$500,000 you file this form monthly and send it in with your payments by the 20th of the following month.

If your gross annual PAYE and ESCT is \$500,000 or more you must send the payment and form to us twice

a month, on the 20th of the same month for deductions made during the 1st to the 15th of the month, and the 5th of the following month for deductions made during the 16th to the end of the month.

The IR 345 shows the PAYE and tax on schedular payments, child support deductions, all student loan deductions (which includes the total of all normal and extra deductions), KiwiSaver employee deductions, net KiwiSaver employer contributions and deductions for ESCT. For more information on ESCT see our *Employer's guide (IR 335)*.

KiwiSaver forms

KiwiSaver employee details (KS 1)—this form provides Inland Revenue with the name, IRD number and address of a new employee who is eligible to join KiwiSaver. You can send us this form separately or with your EMS, but you must send it in, at the latest, with the next EMS you file after the employee gives you their *KiwiSaver deduction (KS 2)* form.

FBT returns

If you provide fringe benefits (perks) to your employees, shareholder-employees or other people associated with your business, you will generally pay FBT on their value. Fringe benefits can be:

- the use of a motor vehicle
- low-interest or interest-free loans
- free, subsidised or discounted goods or services
- employer contributions to some accident and health insurance policies.

FBT returns are filed quarterly or yearly, depending on your filing option.

To find out more about FBT returns and rates go to www.ird.govt.nz (keywords: FBT return types).

Paying and filing returns on time

Make sure you pay all your deductions and send all your forms to us on time.

Remember, the deductions you make are actually your employees' taxes or KiwiSaver deductions, and you're responsible for passing them on to us. Penalties may apply if you don't pay the deductions or don't send the EMS to us by the due date. Read our factsheet *Late payment and late filing penalties (IR 741)* for more information.



www.ird.govt.nz

Go to our website for information, services and tools.

- **myIR secure online services** – log in to check and update your account information, file your EMS, IR 3 or GST return, request or confirm your PTS and send us secure mail.
- **Get it done online** – complete and send us forms and returns, make payments, make an appointment to see us and give us feedback.
- **Work it out** – use our calculators, worksheets and tools to help you manage your tax business, like checking your tax code, or your filing and payment dates.
- **Forms and guides** – download our guides and print forms to post to us.
- **Contact us** – for phone numbers, addresses and contact options.

You can also subscribe to our newsletters at www.ird.govt.nz/subscribe and follow us on Twitter @NZInlandRevenue.

FREE ADVISORY SERVICE

Our business advisory officers run free tax seminars and workshops for new businesses and organisations. For more information or to register to attend one of these sessions go to www.ird.govt.nz (keyword: workshop) or phone 0800 377 778.

New Zealand Government