



Changes to Employment Information

Introduction

For more than four years Inland Revenue has been transforming how we deliver services to make tax and social policy fit seamlessly into people's lives. We're now nearing the end and our final Business Transformation changes are being implemented this year.

Some of these changes affect Employment Information and Employer/Employee Relationships. They don't involve any changes to our build packs.

While there are no changes in terms of the data required from employers / employees there are some system and procedural changes that may impact some users.

Changes to Employee / Employer Relationships.

The way we store Employee / Employer Relations (EER) is changing. This has no effect on data requirements for IR so this information is primarily for your awareness in case you get any questions from employers.

Currently if an employee has more than one period of employment with an employer, we hold multiple relationships. In some cases, duplicate and open-ended relationships also exist creating confusion for employers.

From our next release we will only store one relationship, with the ability to have multiple 'sequences' for when there are multiple periods of employment with the same employer.

Having accurate information maintained within the Employee/Employer relationship will make it easier for software providers and employers to retrieve the most recent and accurate information on the employees.

Preventing open-ended relationships

Currently we automatically cease (auto-cess) any open-ended relationships (those with no employment stop date) after 12 months of inactivity.

To further reduce the number of open-ended EER created in our system, after our next release we will auto-cess an EER where there is no existing employment stop date **and** there has been no activity for 90 days. The definition of 'inactivity' is when:

- no EI line items have been received for that EER, or
- EI line items have been received but contain nil earnings.

In the above circumstances the cease date used will be the date that we run the automated process in our system. This will be on a daily basis.

If the ceased employee is in fact just inactive and is still employed, the employer can update the automated cease date to the correct, future date.

If the cease date is not updated and the ceased employee appears again on the EI **within 30 days of the employment cease date** this employee will not be treated as a rehired employee – so no new relationship sequence is added, and no further information is required.

If the cease date is not updated and the ceased employee appears again on an EI **more than 30 days after the cease date**, a new relationship sequence is created and the employer can choose to:

- provide a new Employee Details (ED) file, or
- 'add new/departing' web request via myIR, or
- Initiate a 'create' request for the ceased EER via Gateway Services (GWS) Employment Service (ES), if they wish, prior to filing an EI

If they choose not to provide the ED, then the next EI line item containing this employee will automatically 'reopen' this ceased EER and we will treat this employee as a rehired employee – that is, a new relationship sequence will be added using the information on the EI.

When a new relationship sequence is added there are potential implications for KiwiSaver:

- Ideally, the employer will resupply the opt-out request for this employee if the employee continues to opt out of KiwiSaver. If not, they may be contacted by IR to understand why no deductions / contributions have been made for the employee.
- For any employees who have previously made contributions to KiwiSaver, and where the employer continues to deduct/contribute, no further request is required. The processed line items will continue to distribute the amounts to the KiwiSaver account accordingly.

Cleaning up invalid EER relationships

During our next release, we will clean up existing invalid EER relationships. This process will invalidate:

- EERs with a non-individual's IRD number where the IRD/name validation fails to match
- EERs with an individual's IRD number where the IRD/name validation fails to match and the EERs have been ceased over a year ago.
- EERs where IRD numbers are invalid or do not exist.
- After invalidating the EERs, any remaining **active and ceased EERs** and consolidate them into a single EER. Note that any EERs that have been invalidated will not be merged into the active/ceased EERs. All **invalidated EERs** with the same IRD will be merged instead but remain as invalidated.

If after go-live, employers are unable to locate the EER for an employee, once they file the next EI return we will automatically create a new EER for the employee which the employer will be able to see.

Child Support Variation codes.

In some cases, Child support (CS) variation codes are either not being used properly or not supplied at all. This can create a need to contact the employee / employer. To help ensure the correct codes are being used we will provide more detailed examples of how and when to use the codes. This may trigger some contact from employers to better understand how to apply CS codes in your software.

Negative Adjustments

From our next release we will allow negative adjustments to be made via the prior period adjustment field on the EI only. These fields can only be used to adjust gross earning and PAYE payments, any adjustments that affect Child support, KiwiSaver, Student loan or other social policy payments must always be made by amending the original EI.

The negative adjustment is limited to the amount in the corresponding field(s) on the line item, the net of these cannot be below zero. For example, if an employee has \$1000 of gross income and \$300 PAYE deducted, then the gross income prior period adjustment field can be up to -\$1000 and in the PAYE prior period adjustment field can be up to -\$300.

More information

Learn more about the other changes planned for October visit: ird.govt.nz/business-transformation-2021.