



Inland Revenue

# Payroll Calculations & Business Rules Specification

1 April 2023 to 31 March 2024

*This document supports the Payday Filing File Upload Specification 2024*

**Date:** 01/11/2022 **Version:**  
v0.01

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## 1 Introduction

Inland Revenue offers online and myIR services that give employers, tax agents, payroll bureaus and payroll intermediaries secure and convenient methods of filing Employment Information schedules online.

This document provides the employers with information regarding tax rates and thresholds, business rules associated with the various tax types, details of the calculations required for specific tax codes, along with some calculation examples. It also includes information and rules relating to KiwiSaver, Student Loans and ESCT (employer's superannuation contribution tax).

For the detailed specifications for Employment Information filing through the myIR file upload process, refer to the **Payday Filing File Upload Specification**, which can be found on the IR GitHub via the following link: <https://www.ird.govt.nz/digital-service-providers/servicescatalogue/returns-and-information/payday-filing/payday-filing-through-file-upload-services>

### 1.1 Caveats

We have included examples to assist you but these are not intended to be exhaustive and cover every possible factual situation that may occur.

If you have an enquiry in relation to tax technical matters, please contact us either by:

- sending us a secure e-mail through myIR
- writing us a letter
- calling us on 0800 377 772 (+64 9 952 5912 for overseas) between 8:00am and 6:00pm Monday to Friday or 9:00am to 1:00pm Saturday.
- If you need to contact Corporate services, please phone 0800 443 773 between 8.00am – 4.00pm Monday to Friday only, or +64 4 831 2286 for overseas calls.

An electronic version of the final version and any updates of this specification can be found at the following link: <https://www.ird.govt.nz/digital-service-providers/servicescatalogue/returns-and-information/payday-filing/payroll-calculations-and-business-rules>

### 1.2 Intended audience

This document provides a mechanism for external parties to validate and compare their software package outputs with the examples provided.

### 1.3 Supporting information

This document is based upon information gathered from;

- Payday Filing File Upload Specification
- IR335 Employers Guide
- Inland Revenue's PAYE Calculator on line
- IR341 Four-weekly and monthly PAYE deduction tables
- IR340 Weekly and fortnightly PAYE deduction tables
- KS4 KiwiSaver Employer Guide

### 1.4 Change

A change log will be kept of all changes to this document (see [Appendix](#))

## 2 Rate Updates and Legislation Changes

### 2.1 ACC Earners' Levy

On 24 November 2021, Cabinet considered the 2023/24 ACC levy rates and agreed:

- To set the Earners' Account Average levy rate per \$100 of liable earnings (incl. GST) at **\$1.53**
- To increase the maximum liable earnings that self-employed and businesses pay Work Account levies on as outlined below:

	2022/23 (from)	2023/24 (to)
Employees and private domestic workers (Work and Earners' Accounts)	\$136,544	\$139,384
Self-employed people (Work and Earner's Accounts)	\$136,544	\$139,384

- To increase the minimum liable earnings that self-employed people pay Work and Earners' levies on to **\$43,349** in 2023/24.

### 2.2 Student Loan Deduction Rates and Thresholds

Note: Student loan deduction rates and thresholds are not generally available before December. The rates below are the current rates (year ending 31 March 2023).

Student Loan deductions rate and thresholds		2022/23	2023/24
Student Loan annual repayment threshold		\$21,268	
Student Loan repayment rate		<b>Primary Income:</b> 12% per \$ over repayment threshold  <b>Secondary Income:</b> 12%	
Student Loan pay period repayment thresholds	Weekly pay period (Threshold divided by 52)	\$409	
	Fortnight pay period (Threshold divided by 26)	\$818	

Monthly pay period (Threshold divided by 12)	\$1,772.33	
Four weekly pay period (Threshold divided by 13)	\$1,636	

### 3 Student Loans

The student loan repayment rate (standard deduction rate) for all New Zealand-based borrowers is 12%.

**For a student loan borrower, the following student loan deductions are made:**

- For main employment income, a deduction of the standard deduction rate from the gross income over the pay period repayment threshold (\$409 per week) should be made.
- For secondary employment income, a deduction of the standard deduction rate from the gross income should be made.

**Other areas to note for student loans:**

**Unused Repayment Threshold Special Deduction Rate (URT SDR):**

- If a borrower has more than one employer at the same time, and gross income from main employment is below the pay period repayment threshold, the borrower can apply to IR for an URT SDR to have the "unused" portion of the pay period threshold allocated to secondary employers.
- For an URT SDR, the borrower is still required to use a "SL" repayment code (unless they also have a tailored tax code, in which case "STC" is the code to be used).
- Depending on the amount of unused repayment threshold, the Student Loan deduction rate advised on the certificate could be anything from 0% to 11%.

**Repayment Deduction Exemption (RDE):**

- Borrowers who are studying full-time and expect their income for the year to be under the annual repayment threshold are eligible to apply for an RDE.
- For the period of time an RDE is in effect, the borrower is exempt from having Student Loan deductions made from their salary and wages and does not have to use an "SL" repayment code. Therefore the Student Loan deductions are 0%.

**Commissioner deductions (SLCIR):**

- In the EI, the 'SLCIR deductions' field should be used for Commissioner deductions.
- Commissioner deductions are extra deductions and may be required if the Student Loan standard deductions were less than the amount that should have been deducted.
- IR will notify the borrower and employer if Commissioner deductions are required to be made.
- Notification will specify the amount to be recovered, and the percentage to be deducted until that amount has been reached.
- The maximum rate will be 5% on gross income (over the pay period repayment threshold) for primary employment earnings.
- For secondary income this will be 5% on the gross payment of salary or wages.
- However, the compulsory extra deduction notices refer to a deduction rate based on student loan standard deductions as per the example below.

**Example: How to calculate the compulsory extra deductions**

Employer receives a student loan compulsory extra deduction notice for their employee asking them to make the extra deductions at 41.67% of the employees' student loan standard deduction. The employee is paid weekly so their deductions for November will be as follows:

Week	Student loan standard deduction	Student loan compulsory extra deduction	Calculation
1	\$45.90	\$19.12	41.67% of \$45.90 = \$19.12
2	\$60.00	\$25.00	41.67% of \$60.00 = \$25.00
3	\$0.00	\$0.00	No standard deduction so no compulsory extra deduction required
4	\$56.80	\$23.66	41.67% of \$56.80 = \$23.66
<b>Total</b>	<b>\$162.70</b>	<b>\$67.78</b>	

**Voluntary deductions (SLBOR):**

- In the EI, the 'SLBOR deductions' field should be used for voluntary deductions.
- Borrower deductions are extra deductions that can be requested by employees wishing to pay more towards their Student loan.
- The amount, or percentage, to be deducted is determined by the borrower.

**4 KiwiSaver**

No changes are required to existing paper or electronic Employment Information returns as the existing field *Net KiwiSaver Employer Contributions* will be used to record the total of voluntary and compulsory employer contributions.

KiwiSaver members can make a contribution of 3%, 4%, 6%, 8% or 10% of their wages. They may change their contribution rate at any time by advising their employer. The default contribution rate is 3% if no rate is elected.

**4.1 Employers who must contribute to member savings**

The Crown legislated employers with employees who contribute to KiwiSaver schemes and/or complying funds to make Compulsory Employer Contributions (CEC) from 1 April 2008. For KiwiSaver purposes, CEC must start from:

- the first pay after an employee starts new employment, or

- the first pay after the employer receives notice from IR or the employee that they have become a member of a KiwiSaver scheme.

The minimum Compulsory Employer Contribution for pay periods commencing on or after 1 April 2013 is 3%.

#### **4.2 Employers who need not contribute to member savings**

Employers do not need to contribute to KiwiSaver and Complying Funds as well as other schemes if an employee belongs to several schemes (if certain requirements are met).

An employee who belongs to a Registered Superannuation Scheme (RSS) or Complying Fund may also join a KiwiSaver scheme. Employers are not required to make compulsory contributions if they already contribute to a scheme on behalf of the member (if certain conditions are met).

To avoid employers being forced to contribute more than once, any employer contribution to an RSS, Complying Fund or KiwiSaver scheme may qualify as compulsory employer contributions if, as per section 101D(5) of the KiwiSaver Act 2006:

1. employer superannuation contributions (the contributions) are made to a registered superannuation scheme (the contributions scheme); and the contributions scheme was registered before 17 May 2007, or the contributions scheme is one (a succeeding scheme) for which there is, due to all relevant members transferring to the succeeding scheme by virtue of section 9BAA of the Superannuation Schemes Act 1989, a prior registered superannuation scheme (a prior scheme) and that prior scheme or another prior scheme for the contributions scheme were registered before 17 May 2007; and the employer provided access for employees generally to the contributions scheme or a prior scheme for the contributions scheme before 17 May 2007; and the employee is -
  1. employed by the employer before 1 April 2008, and the employer makes or has agreed with the employee to make employer superannuation contributions for the employee before 1 April 2008 to the contributions scheme or a prior scheme for the contributions scheme; or
  2. covered by a collective agreement that is in force before 17 May 2007 and expires after 1 April 2008
  3. someone who has had contributions paid or credited to the contributions scheme or a prior scheme for the contributions scheme by a previous employer, and those contributions met the requirements described in paragraphs 1, 2 and 3 above.



Employer contributions which satisfy the paragraphs above, must also vest completely in the employee no later than 5 years after the employee joins the contributions scheme.

Employer contributions to an RSS scheme, which meets the requirements listed above, count towards the compulsory employer contribution, even if the scheme does not have similar lockin rules to Complying Funds or KiwiSaver schemes. This policy prevents an employer being forced to contribute twice, once because an employee belongs to an RSS, which requires employer contributions and a second time because the same employee joins a KiwiSaver scheme or complying fund.

If an employee is a member of a defined benefit scheme, their employer is not liable to pay CEC for that or any other scheme that employee may belong to.

The table below summarises employer obligations where employees belong to several superannuation schemes:

<b>Contribution Type</b>	<b>CEC implications</b>
Defined Benefit Fund	If an employee is a member of a defined benefit scheme, there are no CEC obligations in regards to that employee
Registered Superannuation Scheme	No CEC requirements for these but contributions to RSS can offset other CEC liabilities. See formula below
Complying Fund	CEC applies
KiwiSaver Scheme	CEC applies

CEC = (payment of gross salary or wages x CEC rate) – other contributions

### 4.3 Definition of Salary and Wages for KiwiSaver purposes

#### 4.3.1 Gross salary and wages

The definition of gross salary and wages for KiwiSaver purposes includes:

- bonuses
- commissions
- gratuities
- overtime payments, and
- any other remuneration of any kind.

The following payments to employees are specifically excluded from the definition of salary and wages for KiwiSaver purposes, and as such an employer contribution is optional.

- Redundancy payments
- Reasonable employer provided accommodation or accommodation allowances
- Actual costs reimbursed for allowances or expenses relating to living outside New Zealand
- Payments made under the Voluntary Bonding Schemes administered by the Ministry for Primary Industries, Ministry of Health, and Ministry of Education.

Gross base salary and wages are used to determine the amount of employer deductions and compulsory employer contributions (CECs) for members of a complying fund scheme. Refer to the Glossary section of the [KiwiSaver Employer Guide](#) for the full definition of gross salary and wages.

#### 4.3.2 KiwiSaver - Employees under 18 and over 65

New and existing employees under 18 can only join KiwiSaver by choosing and contacting directly a KiwiSaver scheme provider. Once an employee under 18 is accepted by the scheme provider and the employee has nominated their employer, IR will notify their employer and request they start deducting the employee KiwiSaver contributions. IR will provide the contribution rate for the employee, their name and IRD number.

New and existing employees 65 and over can join KiwiSaver by choosing and contacting directly a KiwiSaver scheme provider or join by completing a KS2 KiwiSaver deduction form with their employer. The KS2 form will indicate the rate of deductions from an employee's salary/wage.

Deductions of employee KiwiSaver contributions are based on the following:

- For under 18 or over 65 employees, employers need to deduct employee contributions.
- Employers are not required to make CECs on behalf of employees under 18 or over 65.
- Any KiwiSaver employer contributions made to employees under 18 or over 65 are voluntary employer contributions.

Note: With the removal of the tax credit for children under the age of 18, they are now liable for PAYE deductions and if they are an existing KiwiSaver member they are also required to have KiwiSaver employee contributions.

If you have an employee who turns 18 while working for you, you do not need to take any additional action unless specifically requested by the employee, though you are required to begin making CECs on their behalf if they are a member.

### 4.3.3 CEC Validations

The following validation will occur in Inland Revenue systems and if failed, will cause the employer's EI return to be queried unless there is an existing arrangement to overlook specific CEC validations:

- If the employee is making KiwiSaver or complying fund deductions, the compulsory employer contributions must be at least 3% of the employee's gross income.

The amount shown on the EI will always be the employer contribution less any tax withheld (i.e. the net amount).

## 5 Calculation Details

This section provides the table of tax codes (immediately below in section 5.1) and the details of the calculations required for specific tax codes (section 5.2 onwards).

Calculation accuracy - unless otherwise stated, calculations should be performed using six decimal places during the calculation process.

Gross amount less than \$1.00 - for the purposes of filing the EI, enter \$1.00

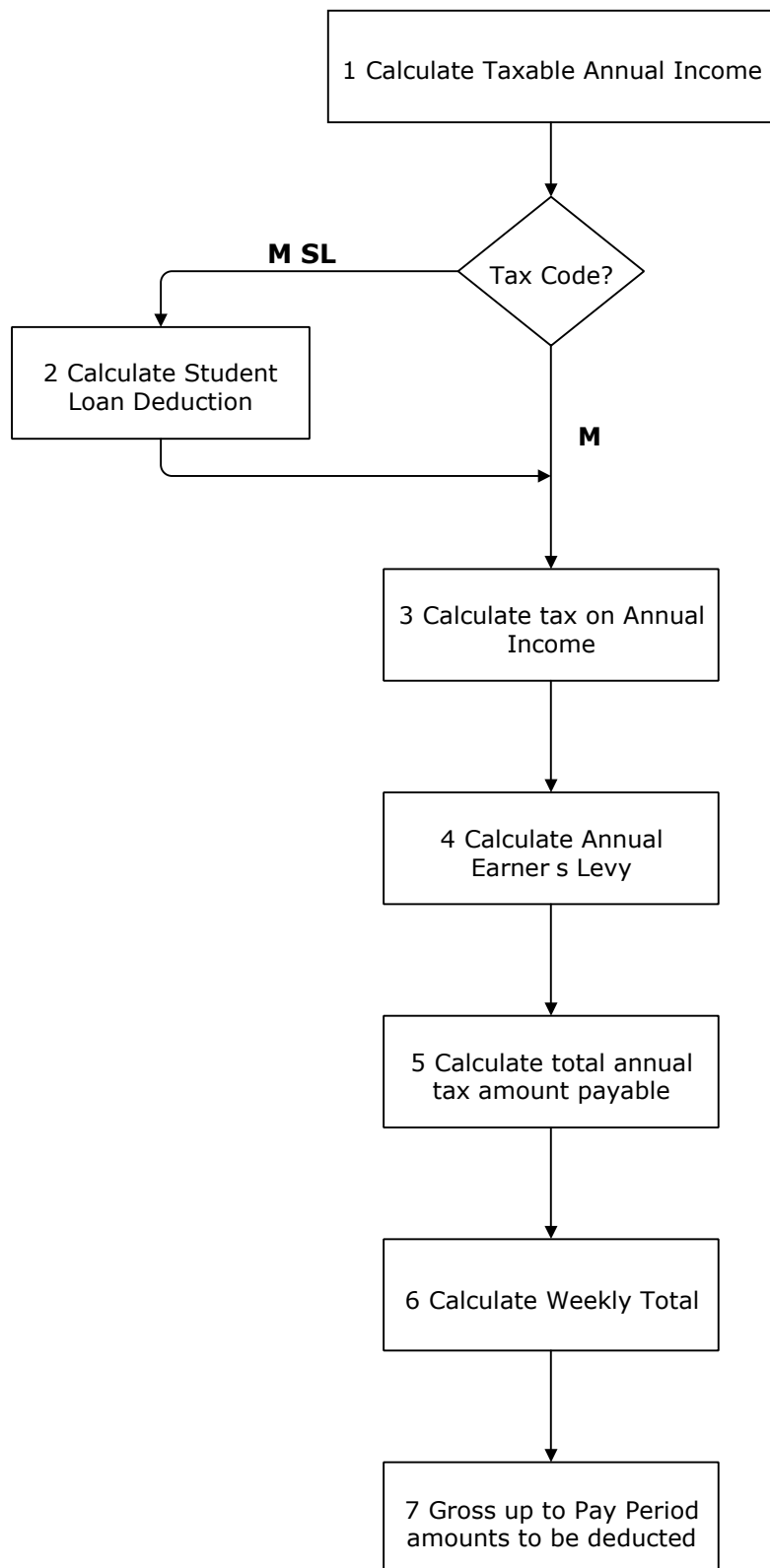
### 5.1 Table of Tax Codes as at 1 April 2023

<b>Employee tax code for use on the Employment Information return.</b>	<b>Description</b>
M	Main income
ME	Main income – Independent Earner Tax Credit (IETC)
M SL	Main income with Student Loan
ME SL	Main Income with Student Loan & IETC
NSW	Non-resident seasonal workers income. Flat tax. There are no thresholds
SB *	Secondary income * ≤ \$14,000
S *	Secondary income * \$14,001 to \$48,000
SH *	Secondary income * \$48,001 to \$70,000
ST *	Secondary income * \$70,001 to \$180,000

SA*	Secondary income * >\$180,000
SB SL*	Secondary income * ≤ \$14,000 with Student Loan
S SL *	Secondary income * \$14,001 to \$48,000 with a Student Loan
SH SL *	Secondary income * \$48,001 to \$70,000 with Student Loan
ST SL *	Secondary income * \$70,001 to \$180,000 with Student Loan
SA SL*	Secondary income * >\$180,000 with Student Loan
CAE	Casual agricultural employees
EDW	Election day workers
ND	No notification rate
STC	Tailored tax code from IR 23
WT	Schedular Payments

\* For the purpose of this table, the definition of the term 'Secondary income' amount is the total of all employment income from all sources (primary and secondary).

### 5.2 M and M SL tax codes – PAYE calculations

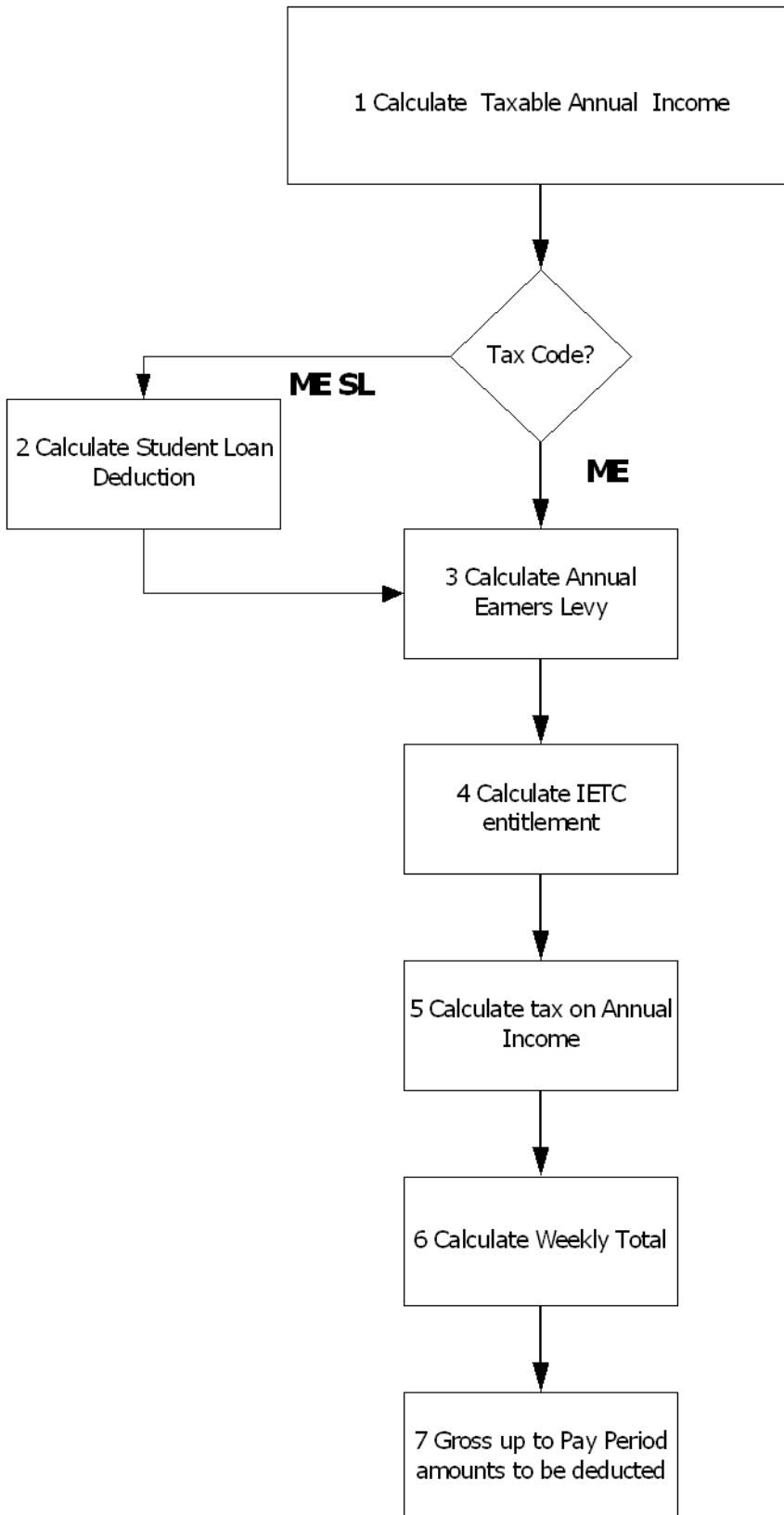


Sequence	Task	Associated Rules
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1	Calculate taxable income	Weekly, multiply by 52 Fortnightly, multiply by 26 Monthly, multiply by 12 Four Weekly, multiply by 13 DROP CENTS to truncate to whole dollar - no rounding required
2	Calculate Student Loan deduction.	See section <a href="#">5.4</a>
3	Calculate tax on annual income.	If annual income is between \$1 and \$14,000 inclusive, multiply annual income by 10.5%. If annual income is between \$14,001 and \$48,000 inclusive, multiply annual income by 17.5% and subtract \$980. If annual income is between \$48,001 and \$70,000 inclusive, multiply annual income by 30% and subtract \$6,980. If annual income is between \$70,001 and \$180,000 inclusive, multiply annual income by 33% and subtract \$9,080. If annual income is greater than \$180,000 multiply annual income by 39% and subtract \$19,880. Do not round this figure.
4	Calculate annual ACC Earners' Levy.	If annual income is less than \$139,384, multiply annual income by 1.53%. If annual income is equal to or greater than \$139,384, then the annual ACC Levy equals \$2,132.57. Do not round this figure.
5	Calculate total annual amount payable.	(Annual tax) plus (annual ACC Earners' Levy). Do not round this figure.
6	Calculate total weekly amount payable.	Divide total annual amount payable by 52.
6.1	Truncate amounts to whole cents e.g. \$75.678 becomes \$75.67.	
7	Calculate other total tax amounts to be deducted based on the respective pay frequency.  For example, converting a total weekly tax amount payable of \$75.67 to total monthly tax amount payable -	Multiply the total weekly tax amount payable by 52 and divide by number of pays per year: Monthly = 12 Four-weekly = 13 Fortnightly=26  Multiply \$75.67 by 52 divide by 12 equals \$327.903333.

7.1	Truncate figures to whole cents e.g. \$327.903333 becomes \$327.90.	
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**5.3 ME/ME SL tax codes – PAYE calculations**

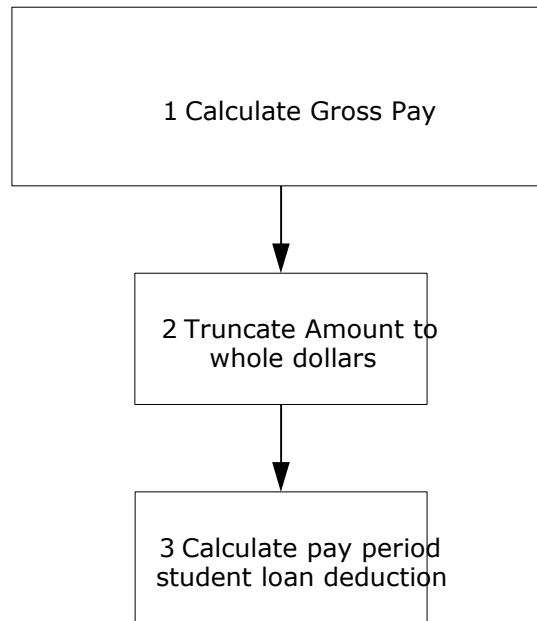


Sequence	Task	Associated Rules
1	Calculate annual income from pay period.	Weekly, multiply by 52 Fortnightly, multiply by 26 Monthly, multiply by 12 Four Weekly, multiply by 13 DROP CENTS, to truncate to whole dollar - no rounding required.
2	Calculate Student Loan Deduction.	See section <a href="#">5.4</a>
3	Calculate annual ACC Earners' Levy.	If annual income is less than \$139,384, multiply annual income by 1.53%. If annual income is equal to or greater than \$139,384 then the annual ACC Earners' Levy is 2.57%. Do not round this figure.
4	Calculate Independent Earner Tax Credit.	If annual income is between \$1 and \$23,999 tax credit equals \$0.00. If annual income is between \$24,000 and \$44,000 inclusive, the tax credit is \$520. If annual income is between \$44,001 and \$47,999 inclusive, the tax credit is equal to \$520 less ((Annual income - \$44,000) x 0.13). If annual income is equal to or greater than \$48,000 the tax credit equals \$0.00. Do not round this figure.
5	Calculate annual tax.	If annual pay is between \$1 and \$14,000 inclusive, multiply annual pay by 10.5%. If annual pay is between \$14,001 and \$48,000 inclusive, multiply annual pay by 17.5% and subtract \$980. If annual pay is between \$48,001 and \$70,000 inclusive, multiply annual pay by 30% and subtract \$6,980. If annual pay is between \$70,001 and \$180,000 inclusive, multiply annual pay by 33% and subtract \$9,080. If annual pay is greater than \$180,000, multiply annual pay by 39% and subtract \$19,880. Do not round this figure.
6	Calculate annual total amounts to be deducted.	(Annual tax) plus (annual ACC Earners' Levy) less (Independent Earner Tax Credit) Do not round this figure.
6.1	Calculate weekly total amounts to be deducted.	Divide annual total amounts to be deducted by 52
6.2	Truncate amounts to whole cents e.g. \$75.678 becomes \$75.67.	



Sequence	Task	Associated Rules
7	Gross weekly total amounts to be deducted figure to pay period.	Multiply weekly figure by 52 and divide by number of pays per year: Monthly = 12 Four-weekly = 13 Fortnightly=26  For example, to gross weekly amount of \$75.67 to monthly, multiply by 52 / 12 giving $\$75.67 * 52 / 12$ equals \$327.903333.
7.1	Truncate figures to whole cents e.g. \$327.903333 becomes \$327.90.	

### 5.4 M SL and ME SL Tax Code – Student Loan calculations



Sequence	Task	Associated Rules
1	Calculate employee's pay amount for pay period.	
2	Truncate amounts to whole dollars, so \$457.89 becomes \$457.	
3	Calculate pay period Student Loan repayment threshold.	
3.1	Divide threshold (\$21,268) by number of pays per year.	Weekly threshold is \$409, fortnightly \$818, four-weekly \$1,636 and monthly \$1,772.33
3.2	Calculate pay period Student Loan deduction.	<p><b>No special deduction rate certificate</b></p> <p>If pay period pay is less than pay period student loan repayment threshold, then deduction is \$0.00.</p> <p>If pay period pay is more than pay period student loan repayment threshold then deductions equal 12% of ((pay period pay) less (pay period student loan repayment threshold)).</p> <p><b>If a borrower has provided a special deduction rate certificate</b></p> <p>If pay period pay is less than pay period student loan repayment threshold, then deduction is \$0.00.</p> <p>If pay period pay is more than pay period student loan repayment threshold then deductions equal (percentage provided in the certificate) * ((pay period pay) less (pay period student loan repayment threshold)).</p>

3.3	Truncate pay period student loan deduction to whole cents e.g. \$56.456 becomes \$56.45.	Note: Calculate PAYE as per PAYE calculations above (Sections 5.2 and 5.3)
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### 5.5 NSW – Non-resident Seasonal Worker calculation

Non-resident Seasonal Workers (NSW) are taxed at a flat rate. There are no thresholds to apply. Tax credits for payroll donations can be applied. The total to pay also includes the ACC Earners' Levy at **1.53%** from each pay period (**0.0153**). The flat rate is 10.5% (0.105).

Eligible non-resident seasonal workers must use the NSW tax code.

If the NSW tax code is used then the EI line for the employee cannot contain:

- KiwiSaver contributions
- Student Loan Repayments

As a non-resident the worker is not eligible to enrol in KiwiSaver, nor are they subject to student loan repayments.

Child Support payments can be deducted.

The flat rate of 10.5% also applies to extra pay. This is applicable to PAYE income payments made from 01 April 2016 for non-resident seasonal workers with the NSW tax code.

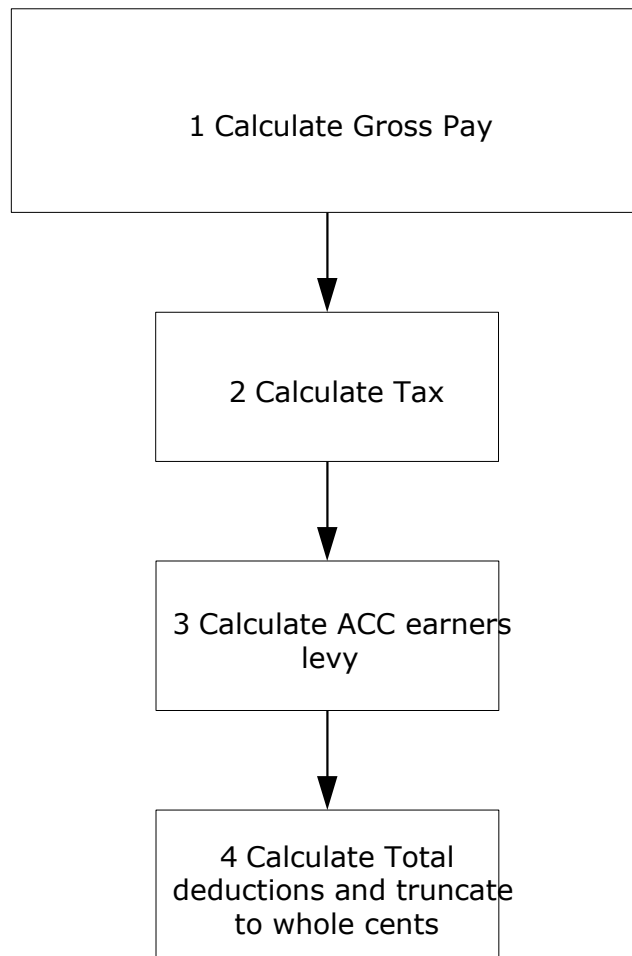
#### For example:

Mike contracted as fruit packer for ten weeks at **\$25/hour** with NSW tax code.

His final gross pay on the tenth week is **\$1,000** with **\$800** being the 8% holiday pay.

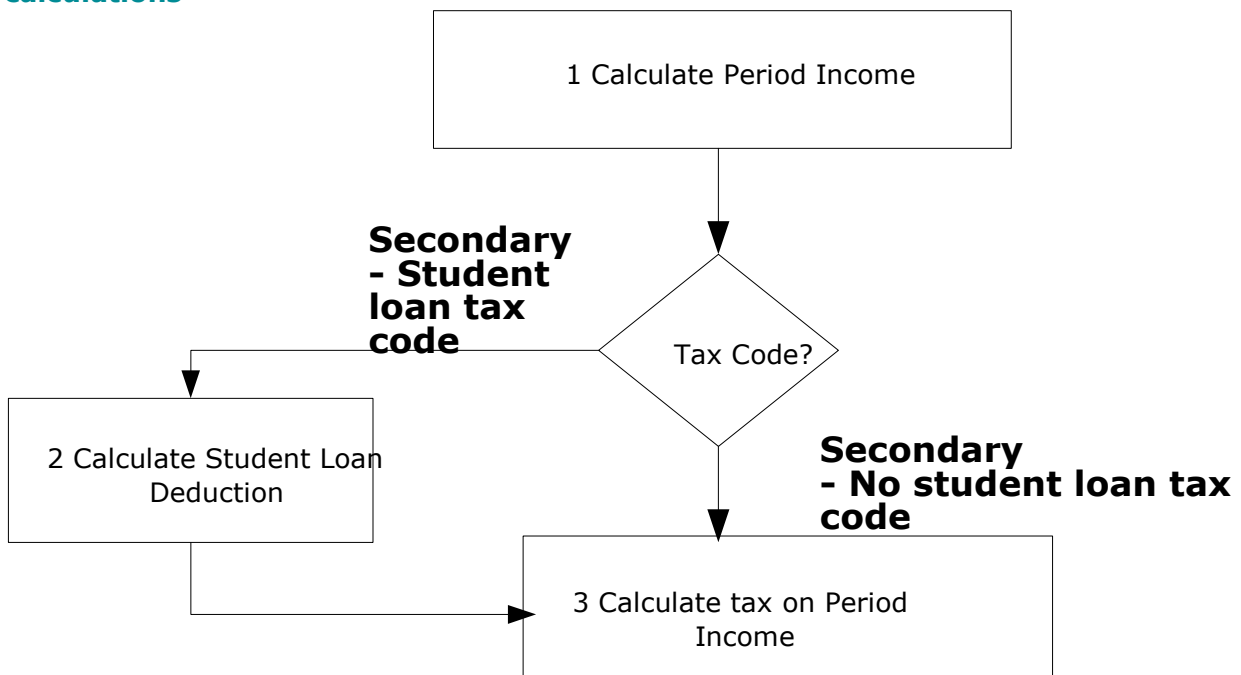
Mike will receive net earnings of **\$703.76** holiday pay on top of his final pay. This is based on 10.5% tax rate and **1.53%** ACC earners levy deducted which is **\$96.24**. If Mike's employer applied the normal extra pay rate rules of 17.5% then Mike would have only received net earnings of \$528 based on a deduction of \$112.

**Please note:** From 14 May 2016, non-resident seasonal workers under the recognised seasonal employer (RSE) rules have a tax code of **NSW** for the first month of a period of employment in New Zealand – after this, the no-notification rate can apply.



Sequence	Task	Associated Rules
1	Calculate employee's pay amount for pay period.	
2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
3	Calculate amounts to be deducted.	For NSW multiply pay period amount by 10.50%. $\{ (0.105 + \text{Earners Levy Rate}) * \text{Pay}$ $= (0.105 + 0.0153) * \text{Pay}$ $= 0.1203 * \text{Pay} \}$
4	Truncate figures to whole cents.	For example, \$250.913333 becomes \$250.91.

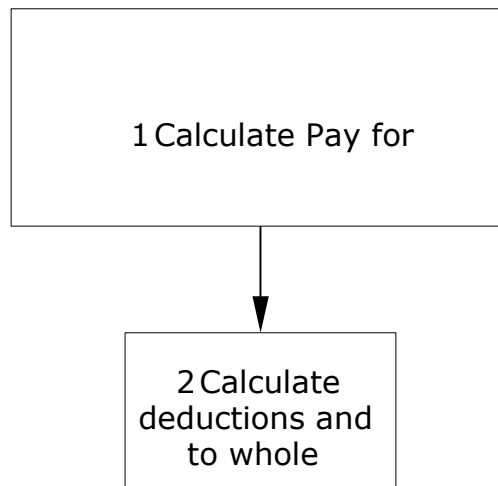
**5.6 SB, S, SH, ST, SA and SB SL, S SL, SH SL, ST SL, SA SL Tax Codes – PAYE and SL calculations**



Sequence	Task	Associated Rules
1	Calculate employee’s pay amount for pay period.	
2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
3	Calculate student loan deductions.	<p><b>No special deduction rate certificate</b> Multiply pay period amount by 12%.</p> <p><b>If a borrower has provided a special deduction rate certificate</b> Multiply pay period amount by the percentage provided in the certificate.</p>
3.1	Truncate amount to whole cents e.g. \$45.789 becomes \$45.78.	

Sequence	Task	Associated Rules
4	Calculate total amounts to be deducted.	<p>For SB and SB SL multiply pay period amount by <b>12.03%</b>  <math>\{ (0.105 + \text{Earners Levy Rate}) * \text{Pay} = (0.105 + 0.0153) * \text{Pay}</math>  <math>= 0.1203 * \text{Pay} \}</math></p> <p>For S and S SL multiply pay period amount by <b>19.03%</b>  <math>\{ (0.175 + \text{Earners Levy Rate}) * \text{Pay}</math>  <math>= (0.175 + 0.0153) * \text{Pay}</math>  <math>= 0.1903 * \text{Pay} \}</math></p> <p>For SH and SH SL multiply pay period amount by <b>31.53%</b>  <math>\{ (0.30 + \text{Earners Levy Rate}) * \text{Pay}</math>  <math>= (0.30 + 0.0153) * \text{Pay}</math>  <math>= 0.3153 * \text{Pay} \}</math></p> <p>For ST and ST SL multiply pay period amount by <b>34.53%</b>  <math>\{ (0.33 + \text{Earners Levy Rate}) * \text{Pay}</math>  <math>= (0.33 + 0.0153) * \text{Pay}</math>  <math>= 0.3453 * \text{Pay} \}</math></p> <p>For SA and SA SL multiply pay period amount by <b>40.53%</b>  <math>\{ (0.39 + \text{Earners Levy Rate}) * \text{Pay}</math>  <math>= (0.39 + 0.0153) * \text{Pay}</math>  <math>= 0.4053 * \text{Pay} \}</math></p> <p>(All multiple pay period amounts above include tax and ACC Earners' Levy).</p>
4.1	Truncate amount to whole cents e.g. \$102.368 becomes \$102.36.	

## 5.7 EDW and CAE tax codes – PAYE calculations

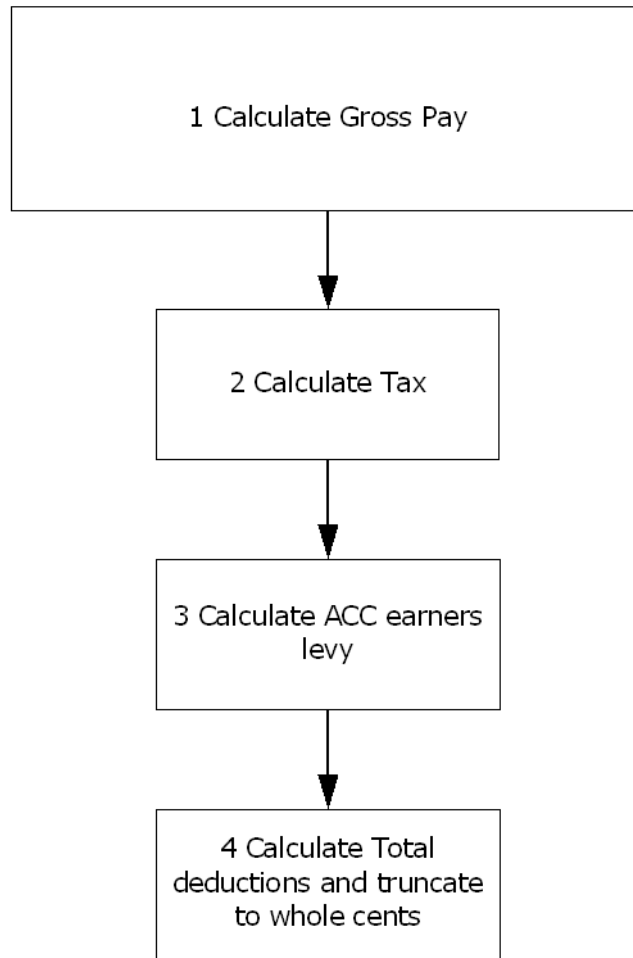


Sequence	Task	Associated Rules
1	Calculate employee's pay amount for pay period.	Include ALL taxable allowances. Exclude Non-taxable allowances and Extra Pays
2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
3	Calculate total amounts to be deducted.	EDW - Multiply pay period amount by <b>19.03%</b> (includes tax and EL) $\{ (0.175 + \text{Earnings Levy Rate}) * \text{Pay} \}$ $= (0.175 + \mathbf{0.0153}) * \text{Pay}$ $= \mathbf{0.1903} * \text{Pay} \}$ CAE - Multiply pay period amount by <b>19.03%</b> (includes tax and EL) $\{ (0.175 + \text{Earnings Levy Rate}) * \text{Pay} \}$ $= (0.175 + \mathbf{0.0153}) * \text{Pay}$ $= \mathbf{0.1903} * \text{Pay} \}$
4	Truncate amount to whole cents e.g. \$102.368 becomes \$102.36.	

### 5.8 ND (No Notification) tax code – Flat rate deductions

Employees on the no notification rate (ND code) are taxed at a flat rate (45% or 0.45) plus ACC earners levy (**1.53%** or **0.0153**).

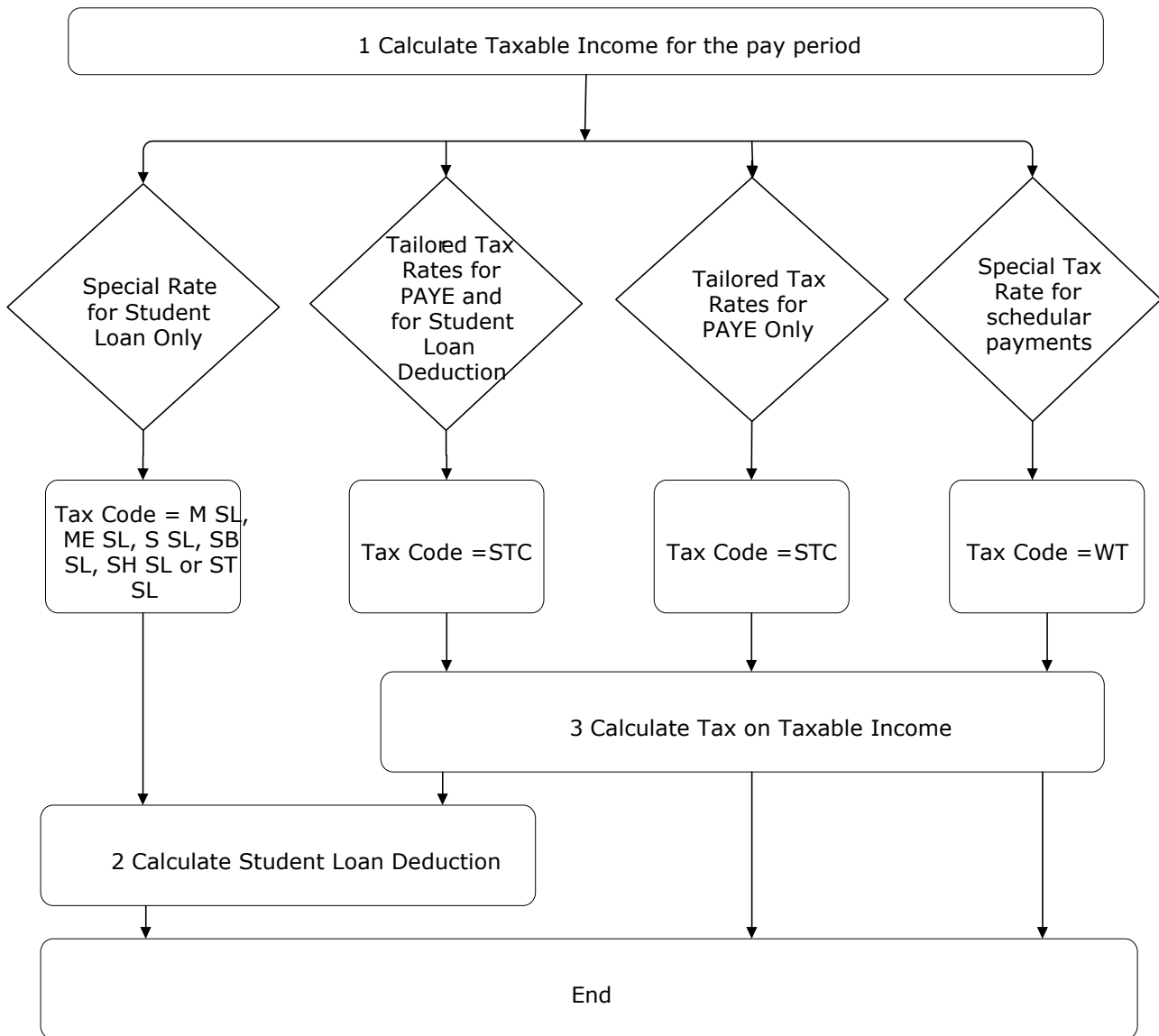
The flat rate of 45% also applies to extra pays. This is applicable to PAYE income payments made for employees using the ND tax code.



Sequence	Task	Associated Rules
1	Calculate employee's pay amount for pay period.	
2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
3	Calculate amounts to be deducted.	Multiply pay period amount by <b>46.53%</b> (includes tax and EL) $\{ (0.45 + \text{Earners Levy Rate}) * \text{Pay}$ $= (0.45 + \mathbf{0.0153}) * \text{Pay}$ $= \mathbf{0.4653} * \text{Pay} \}$
4	Truncate figures to whole cents.	For example, \$250.913333 becomes \$250.91.

### 5.9 Tailored Tax Code/Special Deduction Rate – flat rate deductions and flat rate above repayment threshold student loan calculations





There is an option to have tax and/or student loan repayments deducted at a flat rate. Student loan deductions will take into consideration the repayment threshold – the flat rate will be on income above the repayment threshold.

The tailored tax code/special deduction rate certificate (IR 23) shows a figure to deduct PAYE at the rate of XX cents per dollar. (XX =>rate on certificate) This amount includes earner’s levy of **1.53%**. Note: The tailored tax code/deduction rate can only be used if the certificate covers the period (or parts of the period) **01/04/2023** to **31/03/2024** or longer.

Special tax rates, including for schedular payments (tax code WT), can be an amount from zero to 100 cents per dollar.

Where the person also has a student loan the certificate will provide the deduction rate to deduct student loan deductions. This will be anything from 0% – 12%. Where the employment is the main employment, the rate will apply to income above the pay period repayment threshold, e.g. \$409 per week. Where the income is from secondary employment the threshold will not apply.

### 5.9.1 Scheduling Payment Provisions

Student loan deductions, KiwiSaver deductions and contributions and the ACC Earners' Levy do not apply to schedular payments (tax code WT).

With the changes that became effective 1 April 2017, most contractors are able to elect their own WT tax rate (no lower than 10%), which means they won't need to apply for a tailored tax code. However, there may be scenarios where the WT rate needs to be lower than 10% so a tailored tax code certificate will still be necessary.

#### Tailored Tax Code calculations

Sequence	Task	Associated Rules
1	Calculate employee's pay amount for pay period.	
2	Truncate pay period amount to whole dollars, eg \$457.89 becomes \$457.	
3	Calculate total amounts to be deducted.	Multiply pay period amount by rate on the certificate.
4	Truncate amount to whole cents.	

#### Tailored Tax Code – including Student Loan calculation

Sequence	Task	Associated Rules
1	Calculate employee's taxable income for the pay period.	
2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
3	Calculate student loan deduction. Truncate amount to whole cents.	Multiply pay period amount by rate on the certificate. The certificate will advise whether the rate is applied to every dollar, or only every dollar above the repayment threshold e.g. \$409 per week.
4	Calculate PAYE amount to be deducted. Truncate amount to whole cents.	Multiply pay period amount by the PAYE rate on IR 23.

### 5.9.2 Special Deduction Rate (SDR) and Tailored Tax Codes (STC)

A borrower may have a special deduction rate (SDR) applied to their salary or wage income. This can be used where the borrower is in hardship, or where they have more than one job and earn under the pay period repayment threshold in their main job.

A SDR is any standard deduction rate less than 12 cents in every dollar. No SDR can be greater than 12 cents in every dollar. A borrower wanting deductions of more than 12 cents in every dollar should be using SLBOR – see 3.2 above.

The SDR cannot be applied retrospectively.

Borrowers will be provided with a Special Deduction Rate certificate which they provide to their employer.

The certificate will continue to advise which tax code/SL repayment code (e.g. S SL) the employer should use, the rate at which the SL deductions are to be made, and the period that the SDR should apply to. The SDR will be a whole percentage only (e.g. 3% or 3 cents in the dollar), calculated to two decimal places (e.g. \$0.03).

The Special Deduction Rate Certificate may or may not require the pay period threshold to be used. For some tax codes the correct treatment can be inferred- e.g. "M SL" and "S SL" codes provide sufficient information as to whether or not the threshold is to be used.

If the employee's tailored tax code certificate expires and employer has not received either a replacement tailored tax code certificate or a new IR330/330C the employee tax rate would revert to the tax code specified on the previous IR330/IR330C provided to the employer.

Where the employee has not previously provided an IR330/IR330C, then the employee would be placed on the No Notification tax rate until such time as an IR330/IR330C or tailored tax code certificate is provided.

#### **Special deduction rate and SLCIR –**

If an SDR is granted to a borrower, the Commissioner will cancel any SLCIRs that a borrower may have, regardless of employer.

#### **Special Deduction Rate and SLBOR –**

If a borrower currently has an SDR rate of 8 cents in every dollar for their secondary employment and also has additional deductions using the SLBOR repayment code of a set amount of \$20.00

a week, the borrower would have standard deductions using a SL repayment code (e.g. S SL) at the rate of 8 cents in every dollar, and in addition has an extra \$20 deducted for student loan using the SL repayment code SLBOR.

Borrowers can continue to apply for a tailored tax code in respect of income tax. Where the borrower is entitled to reduced income tax and SL deductions, a Tailored Tax Code Certificate will be issued. The certificate will continue to advise employers to use the tailored tax code, the rate at which income tax should be deducted, the rate for SL deductions, and the period that the certificate should apply to.

**The following examples show what happens when a borrower has a Tailored tax code or Special Deduction Rate.**

**Example One**

The borrower has been granted a tailored tax code due to hardship and has reduced SL and tax rates for the full year. The tailored tax code is valid from 1 April 2023 to 31 March 2024, with tax at a flat 20% rate and SL deductions at 8 cents in every dollar.

**The tailored tax code certificate will state:**

- that the applicable period is the whole year (1 April 2023 to 31 March 2024)
- that the STC tax code must be used
- that the amount of tax will be calculated at 20% of earnings
- that SL deductions will be calculated at 8 cents in every dollar, but note:
  - if this is the borrower's main income SL deductions will be 8 cents in every dollar above the repayment threshold, which is 8 cents in every dollar of earnings in excess of \$409 per week.
  - if this is their secondary employment, then SL deductions will be 8 cents of every dollar.
  - the certificate will state which of these scenarios applies.

**Example Two**

A borrower applies for a Special Deduction Rate (SDR) for their secondary employment, because they have an unused repayment threshold from their main employment. They do not currently have a reduced rate for tax.

**The SDR certificate will state:**

- that the SDR period is from 1 July 2023 to 30 September 2023
- that the tax code is S SL (or appropriate secondary employment SL) tax code

- that SL deductions will be at the rate of 8 cents in every dollar (must be for every dollar of earnings as this is secondary income).

**In addition, the SDR certificate will state:**

- that from 1 October 2023 to 31 March 2024 the tax code will be S\_SL (or other secondary employment SL code)
- that SL deductions will be at the rate of 12 cents in every dollar of earnings (must be for every dollar as this is secondary income).

**Example Three**

A borrower has an SDR in place for their second job, applicable from 1 July 2023 to 30 September 2023. They then apply for a reduced tax rate for that job.

The original Special Deduction Rate certificate (see example two above) will be replaced with a Tailored Tax Code certificate. In this example the Tailored Tax Code certificate applies from 2 August 2023.

**The tailored tax code certificate would state -**

- for the period 2 August 2023 to 30 September 2023:
  - the tax code will be STC
  - tax will be calculated at the rate of 18 cents in every dollar of earnings
  - SL deductions will be at the rate of 8 cents in every dollar (as this is secondary employment it will be 8 cents of every dollar earned, and the certificate will make this clear).
- for the period 1 October 2023 – 31 March 2024:
  - the tax code will be STC
  - tax will be calculated at rate of 18 cents of every dollar
  - SL deductions will be at the standard rate of 12 cents of every dollar (as this is secondary employment it will be 12 cents of every dollar earned, and the certificate will make this clear).

**Example: Special Deduction Rate (certificate)**

### Student loan special deduction rate certificate

Lower Hutt 5010 Date of issue: 15 March 2023  
0800-999-999

Inland Revenue  
PO Box 39050  
Telephone

IRD Number 123-456-789  
Certificate number DLN number

**This certificate is valid from 1 April 2023 to 31 March 2024.**

Dear: ABC Employer

For your employee James Smith, IRD number 123-456-789, you are authorised to:

**From 1 April 2023 to 30 June 2023**

- use tax code SSL
- make student loan deductions at the special deduction rate of 8 cents in each dollar of gross income.

**From 1 July 2023 to 31 March 2024**

- use tax code SSL
- make student loan deductions at the standard deduction rate from each dollar of gross income.

This replaces any other student loan special deduction rate or repayment deduction exemption certificate we have issued previously for the same period for the above employee.

Your employee must give you a new certificate when this one expires. If they don't, you'll need to make student loan deductions at the standard deduction rate from each dollar of gross income.

Please keep this certificate with your employee's wage records.

For more information on the standard deduction rate go to [www.ird.govt.nz](http://www.ird.govt.nz) (keywords: student loan glossary)

Yours sincerely

Name

Title

**Please note - it is an offence to alter this certificate.**

### 5.9.3 Repayment deduction exemption

All borrowers must use a SL repayment code (unless exempt).

A borrower who is a full time student, earning above the pay period repayment threshold, but below the annual repayment threshold, may be eligible to be exempt from SL repayment deductions. This means they do not also use the SL repayment code in combination with their tax code.

The exemption cannot be applied retrospectively.

If the borrower is exempt, Inland Revenue will provide the borrower with an exemption certificate, which they provide to their employer(s).

The certificate will advise that they are not required to have SL deductions, which tax code (e.g. M instead of MSL) they should use, and the period for which the exemption will apply.

The certificate will also provide instructions as to which tax code should be applied when the exemption ceases – e.g. MSL. Refer: [Employer's guide IR335](#) – page 8.

### 5.10 Employee Share Schemes (ESS)

**Effective 1 April 2017** employers are able to tax benefits of an employee share scheme as an extra pay.

It is not compulsory to do so, and employers can choose to withhold PAYE on an employee by employee basis and on a benefit by benefit basis for each employee.

**Note:** When using the Employment Information return (EI) with the header record indicator HEI2, the taxable value of the benefit is to be shown in the Employee Share Scheme field.

ESS benefits are to be shown on the EI except in the following circumstances;

- share benefit arises from an exempt employee share scheme; or
- the employer has elected not to make deductions from a share benefit provided to a former employee.

**The value of an ESS benefit is included as income for the purposes of:**

- Student loan deductions,
- Child support payments, and



- Working for Families tax credits

**However, ESS benefits are not liable for:**

- KiwiSaver deductions or employer contributions
- the ACC Earners' Levy

The value of the ESS benefit is determined on the share scheme taxing date. The share scheme taxing date is the earlier of the date when:

- the benefits are either transferred to a non-associated person or cancelled; or
- the employee owns the shares as any other shareholder would without the terms of employment affecting the status of the ownership or value.

Unless a share scheme beneficiary first transfers their share scheme benefits to a nonassociate, or the company cancels them, the share scheme taxing date is when:

- there is no material risk that beneficial ownership of the shares will change, or that the shares will be required to be transferred or cancelled;
- the employee is not entitled to be compensated for a fall in the value of the shares; and
- there is no material risk that there will be a change in the terms of the shares affecting their value.

**Example 1: - Simple vesting period**

Acme Limited (Acme) transfers shares worth \$10,000 to a trust to hold for their employee, Alice. Alice only receives the shares from the trust if she stays employed by Acme for at least 3 years and she receives no benefit from or ownership of the shares if she leaves before then. As the risk that Alice will leave the employment of Acme within the 3 years is material the share scheme taxing date is the date that Alice reaches 3 years employment with Acme.

**Example 2: - Vesting subject to misconduct**

Acme Limited transfers shares worth \$10,000 to a trust to hold for their employee, Bob. Bob receives the shares 3 years after they are transferred to the trust as long as he is not dismissed for serious misconduct in this time. Bob will still be entitled to the shares if he ceases employment with 3 years as long as the employment is not ceased due to serious misconduct, so the share scheme taxing date is the date the shares are transferred to the trust as there is little risk that Bob will lose his entitlement to the shares.

The taxable value of the ESS benefit must be reported based on the 20<sup>th</sup> day after the share scheme taxing date. There are two methods an employer can use to determine when the taxable value of ESS benefit needs to be reported.

**Option 1**

- If the 20th day falls between the 1st and 15th of a month the information must be reported treating the 15th as the payday.
- If the 20th day falls between the 16th and the end of a month the information must be reported treating the last day of the month as the payday.

**Option 2**

The employer can treat the 20th day as the payday and report the value of the ESS benefit to us more regularly.

**Example 1 – Employee Share Scheme ESS (employer deducts PAYE)**

The employee has a tax code of M SL and receives a 4-weekly salary of \$3,500.00. They contribute to KiwiSaver at 3% and have an ESCT rate of 17.5%.

The ESS benefit (extra pay) is \$2,500, and the gross earnings for the last four weeks were \$3,500 –

The last four weeks' income  $\$3,500 \times 13 =$  annual income  $\$45,500$   
 The total earnings  $\$45,500 +$  extra pay  $\$2,500$  amounts to  $\$48,000$   
 The tax rate applied to the extra pay is 17.5%  
 $17.5\% * \$2,500 = \$437.50$

The extra pay is not liable for ACC Earners' Levy.

**Completing the EI (with header record indicator HEI2):**

Employee Tax Code	M SL
Gross earnings and/or schedular payments	\$3,500.00
Prior period gross adjustments	\$0.00
Earnings and / or schedular payments not liable for ACC Earners' Levy	\$2,500.00
Lump sum (extra pay) indicator	0
PAYE / tax	\$1,028.14
Prior period PAYE adjustments	\$0.00
Child support deductions	\$0.00
Student loan deductions	\$523.68
SLCIR deductions	\$0.00
SLBOR deductions	\$0.00

KiwiSaver deductions	\$105.00
Net KiwiSaver employer contributions	\$86.63
ESCT deducted	\$18.37
Tax credits for payroll donations	\$0.00
Family tax credits	\$0.00
Employee Share Scheme	\$2,500.00

### Example 2 – Employee Share Scheme (ESS) (employer doesn't deduct PAYE)

The employee has a tax code of M SL and receives a 4-weekly salary of \$3,500.00. They contribute to KiwiSaver at 3% and have an ESCT rate of 17.5%.

The ESS benefit (extra pay) is \$2,500, but the employer has chosen not to deduct PAYE so no calculation is necessary for PAYE or Student Loan.

### Completing the EI (with header record indicator HEI2):

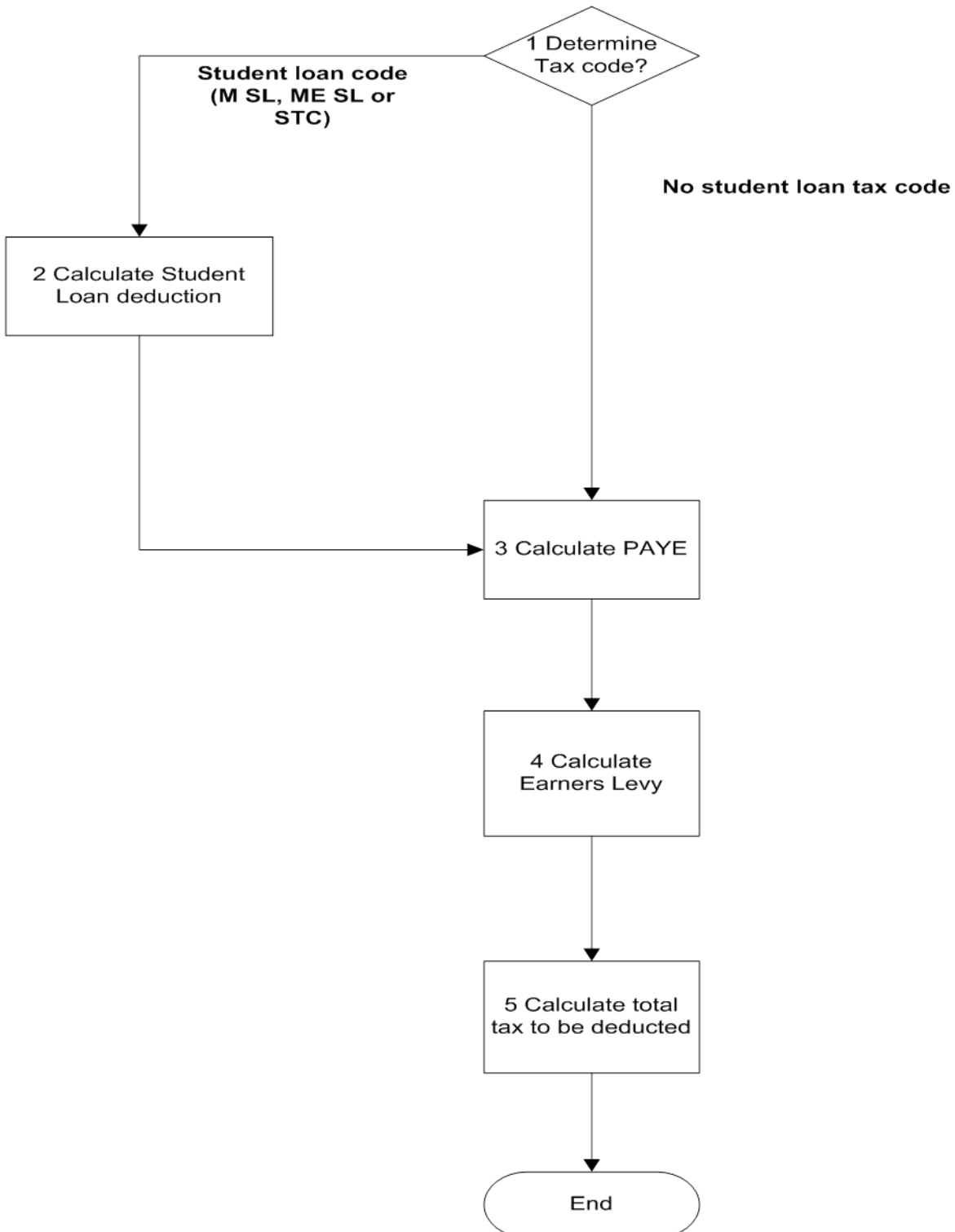
Employee Tax Code	M SL
Gross earnings and/or schedular payments	\$3,500.00
Prior period gross adjustments	\$0.00
Earnings and / or schedular payments not liable for ACC Earners' Levy	\$2,500.00
Lump sum (extra pay) indicator	0
PAYE / tax	\$590.64
Prior period PAYE adjustments	\$0.00
Child support deductions	\$0.00
Student loan deductions	\$223.68
SLCIR deductions	\$0.00
SLBOR deductions	\$0.00
KiwiSaver deductions	\$105.00
Net KiwiSaver employer contributions	\$86.63
ESCT deducted	\$18.37
Tax credits for payroll donations	\$0.00
Family tax credits	\$0.00
Employee Share Scheme	\$2,500.00



### 5.11 Extra pay (Lump Sum) - Primary income<sup>1</sup>

**Note:** The extra pay payment calculation applies to the rates codes EDW, CAE and ND.

#### PAYE and Student Loan calculations



<sup>1</sup> For flat rate calculations for EDW, CAE and ND, refer to sections 5.7 & 5.8

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**Extra pay (Lump Sum) – PAYE calculations – Primary Income**

Sequence	Task	Associated Rules
1	Determine Tax code	
2	Calculate Student Loan deduction.	Tax code = M SL, ME SL, or STC
2.1	Calculate pay for pay period, including normal pay and extra pay	<p>Include lump sum payments which are paid as annual or special bonuses, retiring or redundancy payments, gratuities or back pay. Exclude non-taxable amounts.</p> <p>This amount (normal pay plus extra pay) is referred to as "pay for the pay period" below.</p>
2.2	Truncate pay for the pay period (ie before Student loan deduction) amount to whole dollars, \$457.89 becomes \$457.	

2.3	Calculate student loan deductions.	<p><b>No special deduction rate certificate.</b></p> <p>If the pay for the pay period is less than student loan pay period repayment threshold, then the deduction is \$0.00.</p> <p>If the pay for the pay period is more than the student loan pay period repayment threshold the calculation is: pay for the pay period minus the SL repayment threshold x 12%.</p> <p>If the borrower is on a tailored tax code the threshold may or may not apply - this will be clarified on the certificate.</p> <p><b>If a borrower has provided a special deduction rate certificate.</b></p> <p>If the pay for the pay period is less than student loan pay period repayment threshold, then the deduction is \$0.00.</p> <p>If the pay for the pay period is more than student loan pay period repayment threshold the calculation is : pay for the pay period minus the SL repayment threshold x SDR rate.</p> <p><b>NB If the extra pay amount is not paid at the same time as the normal pay and the pay for the pay period cannot be calculated then multiply the entire extra pay amount by the appropriate student loan deduction rate. Eg 12% or SDR rate</b></p>
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Sequence	Task	Associated Rules
2.3.1	Tailored Tax Code (STC)	<p>If a bonus is paid to an employee who has a tailored tax code, deduct tax at the rate shown on the certificate.</p> <p>For retiring or redundancy payments deduct tax at the tailored tax code rate (excluding ACC Earners' Levy). The payment should be marked as "Earnings not liable for ACC Earners' Levy" on the EI to avoid the ACC Earners' Levy being forwarded to ACC.</p> <p>For example, a tailored tax code rate of 24% would be deducted at <b>22.47%</b> (24% - <b>1.53%</b>) for retiring or redundancy payments.</p>

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2.4	Truncate amount to whole cents e.g. \$45.789 becomes \$45.78.	If <b>tax</b> is calculated using a tailored tax code rate, sequence ends at this step.
3	Calculate PAYE	



Sequence	Task	Associated Rules
3.1	Calculate annualised income then add extra pay amount	<p>Identify the value of the PAYE income payments made in the four weeks prior to, and inclusive of the day on which the extra pay is paid.</p> <p><b>Note:</b> Do not include any other amounts of extra pay that may have been made in that 4 week period.</p> <p>If in the four weeks prior, the employee was paid:</p> <ul style="list-style-type: none"> <li>- Four one-weekly pays – total of the four pays and multiply by 13</li> <li>- Two fortnightly pays – total of the two pays and multiply by 13</li> <li>- One four-weekly pays - multiply the amount by 13</li> <li>- One monthly pay - multiply the amount by 12</li> </ul> <p>In other circumstances, add all PAYE income payments made to the employee in the four weeks prior and multiply by 13. This amount is the <b>annualised income</b>.</p> <p>Add the amount of the extra pay to the annualised income to get the <b>grossed up amount</b>.</p> <p>Example            Pay period weekly at \$1,000 per week with an extra pay of \$500 included with the latest pay In the past four weeks (inclusive of this pay) the employee has had four weekly pays totalling \$4,000 (exclude this extra pay \$500).            Multiply this by 13 X \$4,000 = \$52,000            Then add the extra pay \$500            The Grossed up amount = \$52,500</p> <p><b>Note: When a payment is made outside the normal pay cycle, the 4-week period ends on the day the payment is made.</b></p>
3.2	Drop cents from the grossed up amount(truncate to whole dollars), e.g. \$14,000.90 becomes \$14,000.	
3.3	Determine Tax rate	

3.4	If the employee has elected to have extra pays deducted at a higher rate, the tax rate is either 17.5%, 30%, 33% or 39% whichever they have elected.	
Sequence	Task	Associated Rules
3.5	If the grossed up amount is greater than \$180,000.	Tax rate is 39%.
3.5a	If the grossed up amount is greater than \$70,000 but less or equal to \$180,000.	Tax rate is 33%. Note: They can elect to deduct at 39%.
3.6	If the grossed up amount is greater than \$48,000 but less or equal to \$70,000.	Tax rate is 30%. Note: They can elect to deduct at 39% or 33%.
3.7	If the grossed up amount is greater than \$14,000 but less than or equal to \$48,000.	Tax rate is 17.5%. Note: They can elect to deduct at 39%, 33% or 30%.
3.8	If the grossed up amount is less than or equal to \$14,000.	Tax rate is 10.5% Note: They can elect to deduct at 39%, 33%, 30% or 17.5%.
3.9	If tax rate was 10.5%.	Record a flag showing extra pay deducted at the lowest rate. This would require a tick on the printed EI and a '1' on the electronic file.
3.10	Calculate tax amounts to be deducted.	
3.11	Multiply the extra pay amount by the tax rate determined.	From step above– will be 10.5%, 17.5%, 30%, 33% or 39%. Do not round this figure.
4	Calculate ACC Earners' Levy.	
4.1	If the extra pay is redundancy, retirement allowance or Employee Share Scheme benefit.	ACC Earners' Levy is \$0.00.
4.2	If the grossed up amount does not exceed \$139,384	ACC Earners' Levy is the extra pay multiplied by 1.53%.
4.3	If the annualised income does not exceed \$139,384, and the grossed up amount exceeds \$139,384	ACC Earners' Levy is \$139,384 minus the annualised income, multiplied by 1.53%. Please refer to example 1 below. Do not round this figure.
4.4	If the annualised income exceeds \$139,384	ACC Earners' Levy on the extra pay is \$0.00. Please refer to example 2 below.
5	Calculate total tax to be deducted.	
5.1	Add ACC Earners' Levy and tax deducted.	Do not round this figure.
5.2	Truncate amount to whole cents.	

**Example 1**

If a bonus payment is \$15,000.56 and the gross earnings for the last four weeks were \$10,000:

The last four weeks' income \$10,000 x 13 = annualised income \$130,000.

The total earnings \$130,000 + bonus \$15,000.56 = grossed up amount \$145,000.56

The maximum ACC Earners' Levy threshold is \$139,384

The bonus payment means the grossed up amount is in excess of ACC Earners' Levy threshold, therefore:

ACC Earners' Levy on the lump sum is to be calculated as follows -  
 $(\$139,384 - 130,000) \times 1.53\% = \$143.57$

In this example the tax to be deducted from the lump sum would be at 33% since the grossed up amount exceeds \$70,000 giving \$4,950.18 (15,000.56 lump sum amount)\*33% applicable rate) + ACC Earners' Levy \$143.57 = \$5,093.75

**Note:** Cents are not removed from bonus payment and final figure will not be rounded.

**Example 2 -**

If a bonus payment is \$15,000 and the gross earnings for the last four weeks were \$15,000 -

The last four weeks' income \$15,000 x 13 = annualised income \$195,000.

The total earnings \$195,000 + bonus \$15,000 = grossed up amount \$210,000.

The maximum ACC Earners' Levy threshold is \$139,384.

The annualised income is in excess of the ACC Earners' Levy threshold, so the bonus payment is not liable for ACC Earners' Levy

In this example the tax to be deducted from the lump sum would be at 39% since the grossed up amount exceeds \$180,000 giving \$5,850 (15,000.00 lump sum amount)\*39% applicable rate)+ ACC Earners' Levy \$0 = \$5,850

**Example 3 -**

If a redundancy payment is \$70,000, a final pay leave payment is \$15,000 and the gross earnings for the last four weeks were \$5,000 -

The last four weeks' income of \$5,000 x 13 = annualised income of \$65,000

The total earnings is \$65,000 + \$70,000 extra pay + \$15,000 extra pay = grossed up amount of \$150,000

The \$70,000 redundancy payment is not liable for ACC Earners' Levy

Portion of grossed up amount liable for ACC Earners' Levy is \$80,000

The maximum ACC Earners' Levy threshold is **\$139,384**

The grossed up amount which is liable for ACC is below the ACC Earners' Levy threshold, therefore:

ACC Earners' Levy on the lump sum is to be calculated as follows –

$$\$15,000 \times 1.53\% = \$229.50$$

In this example the tax to be deducted from the total lump sum would be at 33% since the grossed up amount of \$150,000 (\$65,000 + \$15,000 + \$70,000) exceeds \$70,000.

This amounts to \$28,050 (\$85,000 total lump sum amount\*33% applicable rate)

+ ACC Earners' Levy **\$229.50**

$$= \$28,279.50$$

**Note:** Cents are not removed from bonus payment and final figure will not be rounded.

#### **Example 4 – Extra pay is paid outside the standard pay period**

The employee has a tax code of M SL and receives a fortnightly salary of \$1,128.00. They received a one-off bonus of \$1,000 on 5 September. They receive a redundancy payment of \$7,500 with their normal pay on 5 October.

The calculation would look like this:

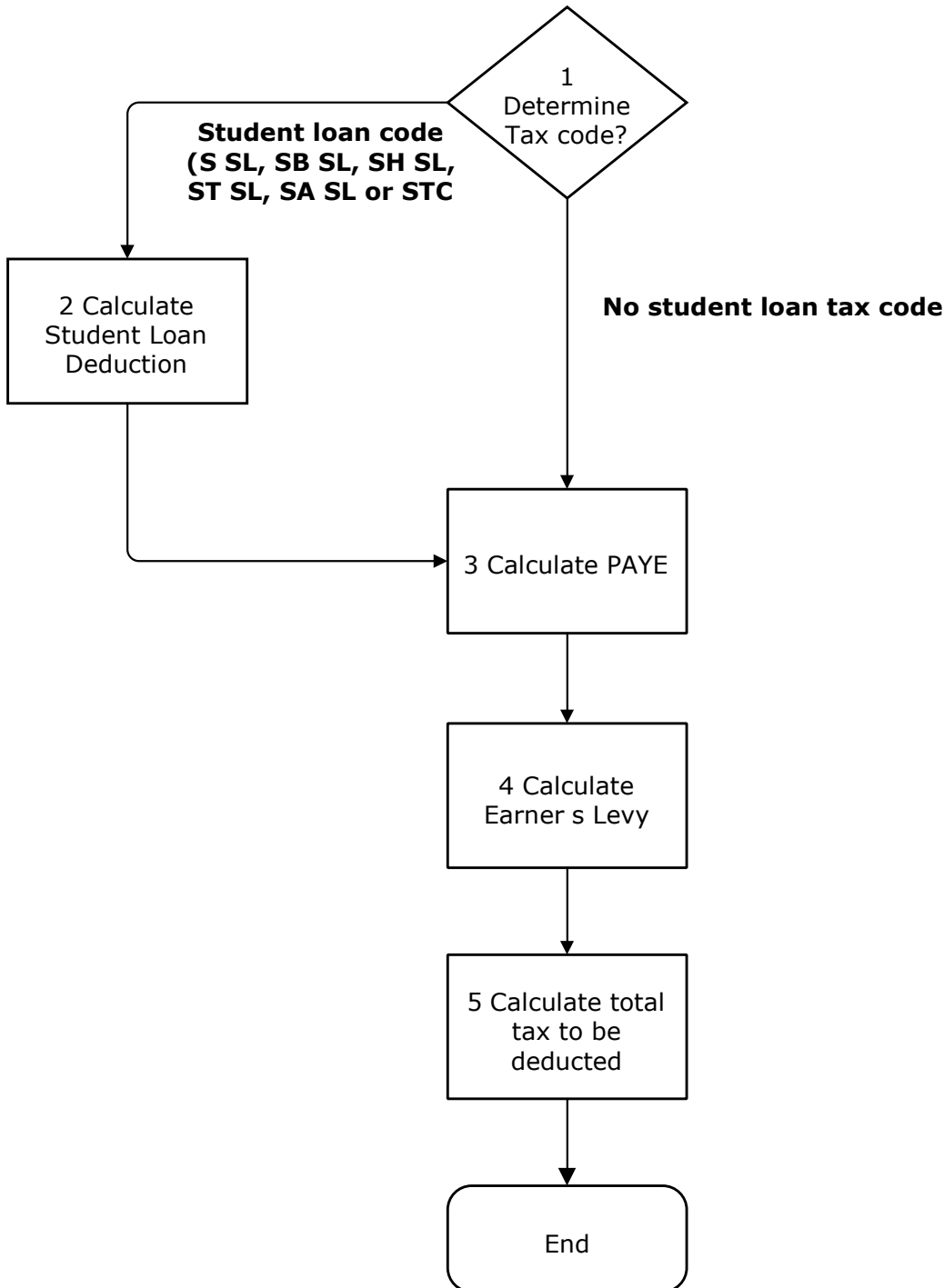
Fortnightly gross wages	\$1,128
Four-weekly gross wages	\$2,256
Multiplied by 13	\$29,328
Plus the redundancy payment	\$7,500
<b>Annualised income plus redundancy pay</b>	<b>\$36,828</b>
Tax rate to be applied to the redundancy payment	17.5%
The student loan deduction would be calculated as follows:	
Fortnightly gross income	\$1,128
Plus redundancy payment	\$7,500
<b>Total payment for the fortnight</b>	<b>\$8,628</b>
Minus fortnightly pay period threshold	\$818
<b>Total</b>	<b>\$7,810</b>
Student loan deductions (12% of \$7,810)	\$937.20

However, in another scenario, the employee asks that the redundancy payment be made as soon as possible. The employer agrees to this and pays the redundancy payment on 28 September. In this case the calculation would look like this:

Fortnightly gross wages	\$1,128
Four-weekly gross (Don't include \$1,000 \$2,256 bonus payment in the gross)	
Multiplied by 13	\$29,328
Plus the bonus payment	\$7,500
<b>Annualised income plus extra pay \$36,828</b> Tax rate to be applied to the redundancy 17.5% payment	
As the extra pay is not associated with a regular pay period, no regular student loan repayment threshold applies, and student loan deductions are calculated at 12% of the extra pay.	
<b>Redundancy pay</b>	<b>\$7,500</b>
Student loan deductions (12% of \$7,500)	\$900.00

### 5.12 Extra pay (Lump Sum) - Secondary Income

PAYE and student loan calculation



Sequence	Task	Associated Rules
1	Determine tax code	
2	Calculate Student Loan deduction.	Tax code = S SL, SB SL, SH SL, & ST SL, SA SL

2.1	Calculate pay for pay period.	<p>Include lump sum payments which are paid as annual or special bonuses, retiring or redundancy payments, gratuities or back pay. Exclude nontaxable amounts.</p> <p>This amount is referred to as "pay for the pay period" below.</p>
2.2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
2.3	Calculate student loan deductions.	<p><b>No special deduction rate certificate.</b></p> <p>Multiply pay for the pay period amount by 12%.</p> <p><b>If a borrower has provided a special deduction rate certificate.</b></p> <p>Multiply pay for the pay period amount by the percentage provided on the certificate.</p>
2.3.1	Tailored Tax Code (STC)	<p>If a bonus is paid to an employee who has a tailored tax code, deduct tax at the rate shown on the certificate.</p> <p>For retiring or redundancy payments deduct tax at the tailored tax code rate (excluding ACC Earners' Levy). The payment should be marked as "Earnings not liable for ACC Earners' Levy" on the EI to avoid the ACC Earners' Levy being forwarded to ACC.</p> <p>For example, a tailored tax code rate of 24% would be deducted at <b>22.47%</b> (24%-<b>1.53%</b>) for retiring or redundancy payments.</p>
2.4	Truncate amount to whole cents, e.g. \$45.789 becomes \$45.78.	If tax is calculated using a tailored tax code rate, sequence ends at this step.
3	Calculate PAYE.	

Sequence	Task	Associated Rules
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3.1	Calculate <b>annualised amount</b> .	<p>Identify the number of salary or wage payments made in the four weeks prior to, and inclusive of the day on which the extra pay is paid.</p> <p><b>Note:</b> Do not include any other amounts of extra pay that may have been made in that 4 week period.</p> <p>If in the four weeks prior, the employee was paid:</p> <ul style="list-style-type: none"> <li>- Four one-weekly pays – total of the four pays and multiply by 13</li> <li>- Two fortnightly pays – total of the two pays and multiply by 13</li> <li>- One four-weekly pays - multiply the amount by 13</li> <li>- One monthly pay - multiply the amount by 12</li> </ul> <p>In other circumstances, add all PAYE income payments made to the employee in the four weeks prior and multiply by 13. This amount is the <b>annualised amount</b>.</p>
3.2	Calculate low threshold amount	<p>The low threshold amount is determined by the tax code used by the employee:</p> <ul style="list-style-type: none"> <li>- If tax code = SB or SB SL then low threshold amount is \$0.</li> <li>- If tax code = S or S SL then low threshold amount is \$14,001.</li> <li>- If tax code = SH or SH SL then low threshold amount is \$48,001.</li> <li>- If tax code = ST or ST SL then low threshold amount is \$70,001.</li> <li>- If tax code – SA or SA SL then low threshold amount is \$180,001.</li> </ul>
3.3	Calculate grossed amount	<p>Add the amount of the extra pay to the annualised amount and the low threshold amount. This is the <b>grossed amount</b>.</p>
3.4	Drop cents from the grossed amount (truncate to whole dollars), e.g. \$14,000.90 becomes \$14,000.	
3.5	Determine Tax rate.	

Sequence	Task	Associated Rules
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3.6	If the employee has elected to have extra pays deducted at a higher rate, the tax rate is either 17.5%, 30% or 33%, 39% whichever they have elected.	
3.6a	If the grossed amount is greater than \$180,000.	Tax rate is 39%.
3.7	If the grossed amount is greater than \$70,000 but less than or equal to \$180,000.	Tax rate is 33%. Note: They can elect to deduct at 39%.
3.8	If the grossed amount is greater than \$48,000 but less than or equal to \$70,000.	Tax rate is 30%. Note: They can elect to deduct at 39% or 33%.
3.9	If the grossed amount is greater than \$14,000 but less than or equal to \$48,000.	Tax rate is 17.5%. Note: They can elect to deduct at 39%, 33% or 30%.
3.10	If the grossed amount is less than equal to \$14,000.	Tax rate is 10.5% Note: They can elect to deduct at 39%, 33%, 30% or 17.5%.
3.11	If tax rate was 10.5%.	Record a flag showing extra pay deducted at the low rate. This would require a 'tick' on the printed EI and a '1' on the electronic file.
3.12	Calculate tax amounts to be deducted.	
3.13	Multiply the extra pay amount by the tax rate determined.	From step above– will be 10.5%, 17.5%, 30%, 33% or 39%. Do not round this figure.
4	Calculate Earners Levy.	
4.1	If the extra pay is redundancy, retirement allowance or Employee Share Scheme benefit.	ACC Earners' Levy is \$0.00.
4.2	If the <b>annualised amount</b> plus the low threshold amount exceeds <b>\$139,384</b> .	ACC Earners' Levy on the extra pay is \$0.00.

4.3	If the grossed amount does not exceed \$139,384.	ACC Earners' Levy is 1.53% multiplied by the extra pay. Do not round this figure.
Sequence	Task	Associated Rules
4.4	If the annualised amount plus the low threshold amount is lower than \$139,384 but the grossed amount exceeds \$139,384.	Subtract the annualised amount plus the low threshold amount from \$139,384. This is the extra pay liable for ACC. Multiply this amount by the ACC Earner's levy of 1.53%. Do not round this figure.
5	Calculate total tax to be deducted.	
5.1	Add ACC Earners' Levy and tax deducted.	Do not round this figure.
5.2	Truncate amount to whole cents.	

### Example 1 – all of bonus liable for ACC

A taxpayer using the SH tax code receives a bonus payment of \$1000 and the gross earnings for the last four weeks were \$500.

- The last four weeks income ( $\$500 \times 13$ ) = annualised amount \$6,500.
- The low threshold amount for the SH tax code is \$48,001
- The extra pay \$1,000 + the annualised amount \$6,500 + low threshold amount \$48,001 = grossed amount \$55,001.
- The correct tax rate for the bonus would be 30% since the grossed amount is greater than \$48,000 and less than \$70,000.
- ACC Earners' Levy would be calculated as the bonus \$1000 \* 0.0153.

### Example 2 – some of bonus not liable for ACC

A taxpayer using the ST tax code receives a bonus payment of \$10,000, and the gross earnings for the last four weeks was \$5,000.

- The last four weeks income ( $\$5,000 \times 13$ ) = annualised amount of \$65,000
- The low threshold amount for the ST tax code is \$70,001
- The extra pay \$10,000 + the annualised amount \$65,000 + low threshold amount \$70,001 = grossed amount of \$145,001.
- The correct tax rate for the bonus would be 33% since the grossed amount is greater than \$70,000 but equal to or less than \$180,000.
- To calculate ACC Earner's levy:

- The annualised amount plus the low threshold amount is \$135,001 – this is lower than \$139,384.
- The grossed amount is \$145,001 – this exceeds \$139,384.
- \$139,384 – annualised amount plus low threshold amount \$135,001 = extra pay liable for ACC \$4,383. The ACC Earner's levy would be calculated as  $\$4,383 * 0.0153$ .

### 5.13 Lump sum payment taxed at the lowest rate

If the lowest rate of tax was used in the calculation of the tax on an extra pay amount, the employer will need to enter a tick in the 'lump sum payment taxed at low rate' circle on the paper return, enter a '1' on the electronic return or tick the checkbox on the electronic onscreen form.

### 5.14 Regular bonuses

**A regular bonus is any bonus paid frequently throughout the year, such as:**

- monetary incentives
- production bonuses

#### **Bonuses paid at same time as regular pay**

Regular bonuses are treated as being part of the salary or wages for the employee for the relevant pay period. Add the regular bonus to the salary/wages for the pay period, then calculate PAYE as usual according to the employee's tax code.

**Note:** If the employee uses an M SL, ME SL, SB SL, S SL, SH SL, ST SL or SA SL code, student loan repayments must also be deducted from the bonus. The following steps refer only to PAYE, but the same method applies for employees with student loans.

#### **Monthly bonuses covering more than one pay period**

1. Add up the gross wages paid for a month's income, eg if you pay weekly, add the four weekly payments together.
2. Work out the PAYE on the gross wages for the month
3. Add the bonus to the gross wages calculated at step 1 and work out the PAYE for the month on the total.
4. Subtract the PAYE calculated at step 2 from that calculated at step 3. This gives you the PAYE on the bonus.

#### **Bonuses covering more than one month**

1. Divide the bonus by the number of months it covers. This gives you the monthly bonus amount.

2. Add the monthly bonus to the normal pay for the month and calculate PAYE. Select monthly in the PAYE calculator.
3. Calculate the PAYE on the normal monthly pay and subtract this amount from the PAYE calculated at step 2 above. This gives you the PAYE on the monthly bonus.
4. Multiply this by the number of months the bonus covers to get the total PAYE to be deducted from the bonus.

### 5.15 Scheduling Payments

As per the Taxation (Business Tax, Exchange of Information, and Remedial Matters) Act 2017, the following now applies:

- Contractors (including companies) hired by labour-hire firms under a labour-hire arrangement have been added as a schedular payment type.
- Most contractors are able to elect their own withholding rate, though there are exceptions to this relating to Non-Resident contractors, Non-resident entertainers, and professional sports people. This is done on an IR330c Tax rate notification for contractors form (follow the link for details of this form: <https://www.ird.govt.nz/income-tax/withholding-taxes/schedularpayments>). This form specifies that their tax code is WT, and what their elected deduction rate is, which can be between 10 and 100%.
- If the contractor provides their name and IRD number but does not or cannot elect a rate, use the table below to determine the standard rate to use, unless they provide a tailored tax code certificate or a certificate of exemption on schedular payments (follow the link for details of this certificate: <https://www.ird.govt.nz/income-tax/withholding-taxes/schedularpayments/getting-schedular-payments/certificates-of-exemption-for-schedular-payments>).
- A schedular payment type for persons wanting to voluntarily have tax deducted from their contractor income has been added. Voluntary schedular payments have a standard rate of 20 cents per dollar of the payment.
- The Commissioner is also able to notify the payer of a specific tax rate to be deducted from payments made to a contractor.
- The no-notification rate as applicable for WT has been standardised at 45 cents per dollar of the payment.

#### 5.15.1 Rates of tax for schedular payments

Activity	Standard rate	No-notification rate

ACC personal service rehabilitation payments (attendant care, home help, childcare, attendant care services related to training for independence and attendant care services related to transport for independence) paid under the Injury Prevention and Rehabilitation Compensation Act 2001.	0.105	0.45
Agricultural contracts for maintenance, development, or other work on farming or agricultural land	0.15	0.45
Agricultural, horticultural, and viticulture contracts by companies and other contractors, including supply of labour for pruning and/or thinning of fruit trees or vines, and picking and/or packing of fruit or grapes	0.15	0.45
Cleaning office, business, institution, or other premises (except residential) or cleaning or laundering plant, vehicles, furniture, etc.	0.20	0.45
Commissions to insurance agents and sub-agents and salespeople	0.20	0.45
Company director's fees	0.33	0.45
Contracts wholly or substantially for labour only in the building industry	0.20	0.45
Demonstrating goods or appliances	0.25	0.45
Entertainers (New Zealand resident only) such as lecturers, presenters, participants in sporting events, and radio, television, stage and film performers	0.20	0.45
Examiners (fees payable)	0.33	0.45
Forestry or bush work of all kinds, planting, sowing or gathering vegetables, or flax planting or cutting	0.15	0.45
Freelance contributing to newspapers, journals, etc. (articles, photographs, cartoons, etc.) or for radio, television or stage productions	0.25	0.45
Gardening, grass or hedge cutting, or weed or vermin destruction (for an office, business or institution)	0.20	0.45
Honoraria (including payments to Mayors, chairmen and members of council, boards of trustees, boards, committees and official clubs or societies, etc.)	0.33	0.45
Jockeys' or drivers' apprentices	0.15	0.45
Modelling	0.20	0.45
Non-resident contractors who are not companies <sup>1</sup> : <ul style="list-style-type: none"> <li>• construction work, installation, assembly and similar projects</li> <li>• professional or technical services for such projects</li> <li>• hire of equipment or personnel (other than as employees)</li> </ul>	0.15	0.45
Non-resident contractors who are a company <sup>1</sup>	0.15	0.20
Non-resident entertainers and professional sports people visiting New Zealand <sup>2</sup>	0.20	N/A

Payments made to contractors under a labour-hire arrangement, includes payments to individuals and companies. <sup>3</sup>	0.20	0.45
<b>Activity</b>	<b>Standard rate</b>	<b>No-notification rate</b>
Payments for: <ul style="list-style-type: none"> <li>• mail contracting</li> <li>• transport of school children</li> <li>• milk delivery</li> <li>• refuse removal, street or road cleaning</li> <li>• Caretaking or acting as a watchman</li> </ul>	0.15	0.45
Proceeds from sales of: <ul style="list-style-type: none"> <li>• eels, greenstone, whitebait, Sphagnum moss (not retail sales)</li> <li>• wild deer, pigs, or goats or parts of these animals</li> </ul>	0.25	0.45
Public office holders (fees)	0.33	0.45
Share fishing (on contract for the supply of labour only)	0.20	0.45
Shearing or droving	0.15	0.45
Television, video or film; on-set and off-set production processes (New Zealand residents only)	0.20	0.45
Voluntary schedular payments Other contractors who are not required to have any form of PAYE deductions can, with the agreement of the payer, opt to have payments made to them treated as a schedular payment.	0.20	0.45

<sup>1</sup>Non-resident contractors cannot elect below 15%

<sup>2</sup> Non-resident entertainers and professional sports people visiting New Zealand cannot elect their own rate. They do not need to provide an IRD number unless they want to claim expenses, pay their tax themselves or are a payer who pays non-resident entertainers or sportspeople. Refer to the [Non-resident entertainers and sportspeople page](#) on the IR website for further information.

<sup>3</sup> Contractors engaged by labour-hire firms cannot apply for a Certificate of Exemption for income earned under any labour-hire arrangement.

### 5.15.2 Tax deducted from Schedular payments

#### Employment Information return

The tax code should show as WT and earnings not liable for Earners Levy as the Gross schedular payment. Schedular payments should not include or be included in earnings as an employee. If paying both normal earnings as an employee and schedular payments you must record one line

on the EI as an employee with normal tax code and one line for the schedular payment with WT code.

### GST

If the payee is GST-registered, exclude deducted GST from the payment before calculating tax on schedular payments. Only the GST exclusive amount has tax on schedular payments deducted.

For example, a payment of \$115 (GST inclusive) is due to the payee; exclude the GST component of \$15. Deduct the tax on schedular payments (e.g. 20%) from the remaining \$100 to calculate the net amount excluding GST. The amount on the EI will show Gross \$100, tax on schedular payments of \$20.00, earnings not liable for EL of \$100 and a tax code of WT.

Add the amount of GST back to the net amount to calculate the net payment to the payee (e.g., \$80 net amount plus \$15 GST = \$95). The amount of GST is not included on the EI.

If a declaration has been filled out with all details

$$\text{Tax} = (\text{Standard or Elected Rate}) * (\text{Earnings})$$

Else

$$\text{Tax} = (\text{No Not. Rate}) * (\text{Earnings})$$

In both cases truncate the tax amount to whole dollars and cents.

### **5.16 Child Support Employer Deduction Notice YL0010**

Inland Revenue Child Support can send you a notice telling you to deduct, amend or stop child support payments from your employee's next pay.

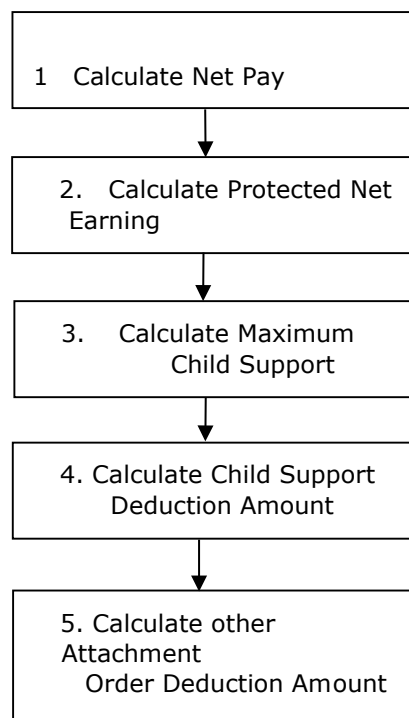
The notice shows:

- Your employee's name and IRD number.
- The payday that you must start, amend or stop child support deductions.
- The amount to deduct from each pay.
- Employee reference number (currently only for MSD/ACC).
- If this is the first time you are making deductions, don't make any deductions before the start date on the notice.
- All employees who have a change to their child support amount in the upcoming pay period.

### 5.16.1 Protected net earnings

All employees must be allowed to keep 60% of their net pay, after tax and child support and any other attachment order is deducted. This is the employee's 'protected net earnings', to cover living expenses. Note that student loan repayment obligations are not considered a tax when calculating protected net earnings.

'Protected net earnings' only apply to child support payments (and other attachment orders as described in the following section). You must still make other deductions, such as student loan repayments, KiwiSaver or ACC Earners' Levy. However, insurance, superannuation and union fees may be deducted subject to the Wages Protection Act 1983. Child support and any other attachment order deductions cannot exceed 40% of the net pay.



**Note:** Employee Share Scheme benefits are treated as a PAYE income payment for the purposes of this calculation when the employer has elected to withhold PAYE. Do not include ESS amounts in Gross Earnings or PAYE below if the employer has **not** elected to withhold PAYE.

Sequence	Task	Associated Rules
1`	Calculate Net Pay.	Net Pay = Gross Earnings - PAYE (excluding Earners Levy).
2	Calculate Protected Net Earnings.	Protected Net Earnings = Net Pay * 60%
3	Calculate Maximum Deduction.	Maximum Deduction = Net Pay - Protected Net Earnings



4	Calculate Child Support Deduction Amount.	<p>If Child Support Amount &gt; Maximum Deduction</p> <p>Then Deduct Maximum Child Support Deduction (On EI enter variation code P) Maximum Deduction = 0</p> <p>Else Deduct Child Support Amount as per deduction notice Maximum Deduction = Maximum Deduction - Child Support Amount as per deduction notice.</p>
5.	Calculate other Attachment Order Deduction Amount	<p>If Attachment Order Deduction Amount &gt; Maximum Deduction</p> <p>Then Deduct Attachment Order Deduction Amount Maximum Deduction = 0</p> <p>Else Deduct Attachment Order Deduction Amount Maximum Deduction = Maximum Deduction - Attachment Order Deduction Amount.</p>

### 5.16.2 Calculating Protected net earnings on other Attachment Orders

Where an employee has one or more District Court attachment orders other than child support, Section 157 of the District Court Act 2016 provides legislation allowing deduction restrictions in addition to those provided by the Income Tax Act and the Tax Administration Act.

Section 157 (3) of the District Court Act states that where an attachment order is working alone or in conjunction with one of a number of possible notices (child support, tax arrears, parentage test costs, social security debts), the protected net earnings rule applies in all situations upon these attachment orders; whether included with a child support notice or not. (Please note, Inland Revenue arrears orders are based on gross earnings).

In these situations, the protected net earnings rate is the higher of:

- 60% of the post-tax earnings for the period, or
- the minimum level of income specified in the notice, as provided by Section 156 (d) of the District Court Act 2016.

For example, an employee who earns \$2,000 a week has protected net earnings of the higher of \$1,514, or any level set by the District Court.

In situations where the employee has one or more attachment orders in addition to a child support notice, the child support payment should always be deducted ahead of any other attachment orders. The following order of rank should apply:

1. Child support

2. Other attachment orders
3. ACC levy
4. Student loan repayments
5. Kiwisaver employee contribution
6. Other voluntary deductions

Note: ACC levy is excluded when calculating protected net earnings on attachment orders.

### 5.17 Payroll Giving

Payroll Giving grants employees an immediate tax credit for their donation(s) to a donee organisation (listed on Inland Revenue's Donee List) where the donation is made using their employer's Payroll Giving scheme. The tax credits for payroll donations are used to reduce the amount of PAYE paid by the employee. Payroll Giving is voluntary for both employers and employees.

Tax credits for payroll donations are reported via an electronic Employment Information return (the EI in myIR). Payroll Giving is only available to employees of employers who file their EI and payment form electronically.

**The same calculation is used to calculate tax credits for payroll donations for all tax codes and all annual incomes equally:**

***Tax Credit for Payroll Donation = Total Donation x 0.333333***

The amount is truncated to whole cents i.e. calculate to 2 decimal places, do not round up or down.

**Before making a donation, individuals must have met all tax obligations and any payments legally required to be deducted from their pay. These include:**

- PAYE (tax and ACC Earners' Levy)
- Student Loan
- Child Support
- KiwiSaver

**The Maximum tax credit for payroll donations** is limited to the 'Tax' element of PAYE i.e., PAYE minus ACC Earners' Levy equals 'Tax'.

#### **Timeframe for Passing Donations**

Donations are deducted from employee's salary or wages by the employer and passed directly to the chosen donee organisation.

Donations need to be passed to the donee organisation on or before the due date for your PAYE payment, whichever is closest to the end of the two months from the last day of the pay period that the donation was deducted.

### Keeping Sufficient Records

Employers and PAYE intermediaries must keep sufficient records of the amount of any payroll donation deducted from an employee's pay to enable Inland Revenue to determine that payroll donations have been transferred to the correct recipient.

For additional information on payroll giving please refer to the link below:

<https://www.ird.govt.nz/employing-staff/deductions-from-income/payroll-giving>

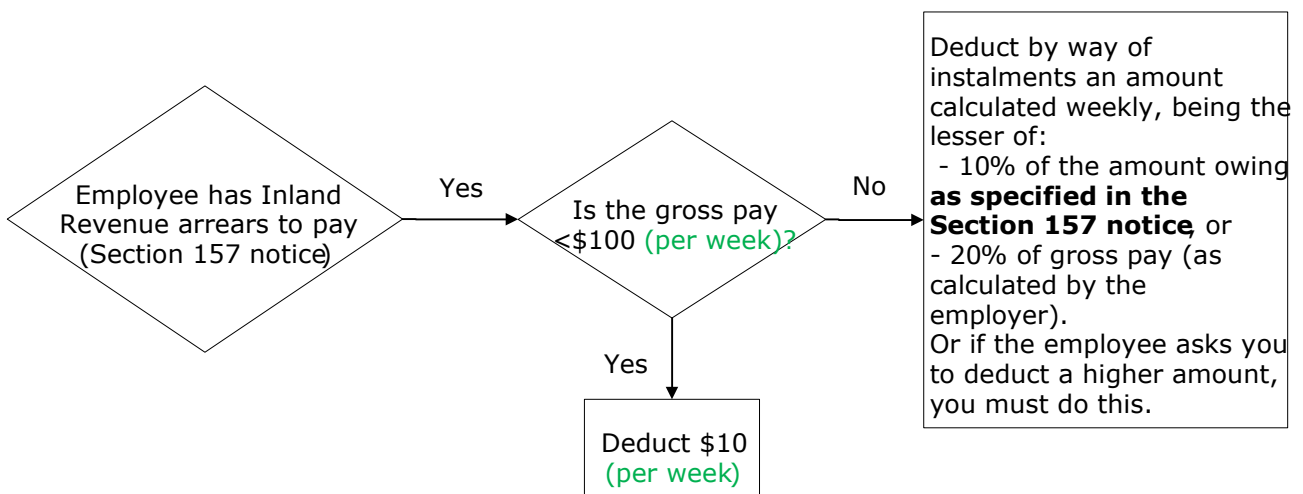
### 5.18 Inland Revenue arrears payments

An employer may receive a notice from us requiring them to deduct tax, student loan arrears or family tax credit over payments from an employee's wage (a section 157 notice). The notice will explain how to calculate the required amounts. Child support payments must be deducted before tax and student loan arrears and Working for Family Tax Credit over-payments. Note: This is a different situation from the student loan process for significant under-deductions, where the employer would be instructed to use the SLCIR deductions field.

Note: The notice received refers to weekly pay periods. If the employee is not paid weekly, you need to multiply the deduction amount to suit the pay period.

The payments need to be sent to IR by the end of each calendar month, completely separate from PAYE payments. They should not appear on the EI.

If the payment is to be made electronically, please specify the employee's IRD number, tax type, period and amount. If it isn't made electronically, the details should be supplied on a separate piece of paper.



Note: In certain circumstances, deduction notices for fixed amounts different from the lesser of the 10% of the sum in default as per notice or 20% of gross pay, may be issued.

### 5.18.1 Other Child Support deduction notices for WT payers

In some cases, a notice may specify a percentage of the net pay is to be deducted. These deductions are paid directly to Inland Revenue using the customer's IRD number and tax type NCP.

When using a percentage deduction, the maximum amount that can be requested by Inland Revenue is 40% of their net pay.

### **Non-Filing Information**

This section contains information for Payroll developers not directly related to filing information via myIR.

### 5.19 Initiating electronic payments using payroll software packages

If your package is able to initiate electronic payments to us then you need to ensure that the correct payment reference details are supplied for your client. If the details are incorrect, delays in processing these payments can occur.

There are two different tax type codes that relate to employer deducted payments. If the payment includes a combination of the following, you can use the employer deductions (DED) code:

- PAYE
- Child Support deductions
- Student Loan repayment deductions
- Employer superannuation contribution tax
- KiwiSaver deductions for employees
- Net KiwiSaver employer contributions

If the payment is being made for PAYE intermediary purposes, the intermediary employer deductions code (IED) must be used.

#### 5.19.1 Electronic payment format requirements

Employers (including PAYE intermediaries) will need to provide their bank with the following payment information:

- Payee name: "Inland Revenue"
- Amount: total amount of the payment

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- Our bank account details: "03 0049 0001100 27"
- Particulars: Employer's or PAYE intermediary's IRD number
- Payee code: "DED" or "IED" (see above). Leave the next box blank, then enter the period end date for the payment being processed i.e. (DDMMCCYY)
- Reference: This can be used for your own personal reference.

**NOTE:** These fields (IRD number, Tax Type code and Period End Date) are necessary in order for us to allocate the payment received correctly.

Some software packages may already populate specific non Inland Revenue information (e.g. an accounting reference) in either the particulars or payee code field, and changing this is very difficult. Should this be the case, then you need to ensure that the IR payment reference details are displayed in any remaining fields to minimise impacts for your clients and how their payments are processed.

### 5.19.2 Particulars field

This field simply represents the Employer or PAYE intermediary's IRD number.

The field should contain 9 digits. If the IRD number is eight digits long then a preceding zero must be shown in the field. The IRD number must start from the left and the remaining three boxes left blank.

### 5.19.3 Payee code field

Enter the tax type code (EMP, DED or IED). Leave the next box blank, then enter the period end date the payment is for – not the date the payment is being made.

### 5.19.4 Reference field

This field is for your own personal reference.

### Example of a standard employer deductions (DED) electronic payment

Payee name INLAND REVENUE				Amount 60.00			
Bank 03	Branch 0049	Customer number 0001100	Suffix -27				
Particulars 123456789			Payee code DED	Reference			
IRD number			Tax type	Period end date 31032021			

### Example of a PAYE Intermediary (IED) electronic payment

Payee name INLAND REVENUE				Amount 60.00
Bank 03	Branch 0049	Customer number 0001100	Suffix -27	
Particulars 123456789		Payee code IED	Reference 31032021	
IRD number		Tax type	Period end date	

## 5.20 Fringe Benefit Tax

### 5.20.1 Opportunities for Payroll Developers

Payroll developers can help employers by incorporating FBT requirements as features of their payroll systems, for example:

- By using payroll systems as the reporting mechanism for FBT-related data
- Inputting all FBT information into the payroll system
- Incorporating the alternate rate requirements
- Flagging each individual who receives fringe benefits
- Producing control reports (similar to the calculation and remuneration adjustment sheets and the final FBT to pay).

The information covered in this section shows how FBT is calculated on the alternate rate calculation process and includes both the short-form and the full alternate rate calculation process, as well as the pooled alternate rate calculation. We also explain how to complete the adjustments required for shareholder-employees or those receiving attributed income where full remuneration details were unknown at the time of completing last year's fourth quarter or annual FBT return, and the adjustment for GST.

For more information about FBT and the calculation process, please refer to the latest *Fringe benefit tax guide (IR 409)* or the *Fringe benefit tax return guide (IR 425)*. These are available from our website at [www.ird.govt.nz](http://www.ird.govt.nz) or by phoning SPK2IR (Speak to IR – formerly INFOexpress) on 0800 257 777.

### Shareholder-employee remuneration adjustment

Employers who completed their fourth quarter or annual return last year without knowing all the remuneration details of shareholder-employees (or those receiving attributed income), and applied the 49.25% FBT rate to the value of the attributed benefits, must use the alternate rate calculation when making the remuneration adjustment. The calculation required is based on last

year's remuneration and attributed benefit details for each individual, less the amount of FBT calculated and paid for each of those individuals in last year's return. A remuneration adjustment sheet is included in our *Fringe benefit tax return guide (IR 425)* to assist with this calculation.

### **GST on fringe benefits**

The GST payable is calculated on the taxable value of all benefits from Box 3 of the FBT return less the value of any benefits which are exempt or zero-rated supplies for GST purposes. The GST content of those supplies is to be shown in Box 7 of the FBT return for quarterly filers and Box 6 of the FBT return for annual and income year filers.

For more information on FBT refer to the IR Website:

<https://www.ird.govt.nz/employingstaff/paying-staff/fringe-benefit-tax>

### **5.20.2 Short-form alternate rate calculation**

The short-form alternate rate calculation option is a streamlined approach that allows all attributed benefits to be taxed at a flat rate of 63.93%, and all non-attributed benefits to be taxed at a flat rate of 49.25% (or 63.93% on fringe benefits provided to major shareholderemployees). This option is more likely to appeal to employers where all of their employees who receive attributed benefits earn more than \$180,000.

Under the short-form alternate rate option, employers simply add all attributed benefits provided to employees together and calculate the FBT on the combined figure at 63.93%. The nonattributed benefits are calculated the same way as they are under the full alternate rate option.

### **5.20.3 Full alternate rate calculation**

The following information shows how FBT is calculated on attributed fringe benefits using the full alternate rate calculation, using one employee as an example.

The full alternate rate calculation is a five-step process explained under the heading "Full alternate rate calculation process". For each employee who receives a benefit that is attributed to them, their employer must:

- Retrieve gross cash remuneration information (gross salary or wages, bonuses or overtime and other taxable income from all entities within a company)

- Apply the tax rates, shown in step 1 of the full alternate rate calculation (not the actual PAYE deducted based on the PAYE tax tables) to obtain a net cash remuneration amount.
- Add the value of attributed taxable benefits for the year to the net cash remuneration
- Apply FBT rates to this total amount (see step 4, Table B)
- Calculate the FBT payable by subtracting the tax calculated on the gross wages.

Completion of this calculation for annual filers will give them their FBT to pay for each employee on the value of attributed benefits. Quarterly filers take off the previous three-quarters assessments.

#### 5.20.4 Full alternate rate calculation process

##### Step 1: Calculate net cash remuneration

The employer calculates the net cash remuneration of each employee. This calculation takes the employee's gross cash remuneration minus the tax on that income to get net cash remuneration total. Table A (see below) sets out the current income tax rates used in the calculation.

Gross cash remuneration is the employee's gross salary or wages, bonuses, overtime and other taxable income from all entities associated with the company, including subsidiaries, for the year. For a major shareholder-employee it also includes any interest or dividends received from the employer or a related employer. If an employee worked only part of the year, the cash remuneration is the amount paid to them during the year.

**Table A:** Income tax rates

Gross income	Cumulative income tax per bracket	Income tax rate
From \$0 to \$14,000	\$ 1,470.00	10.5%
\$14,001 to \$48,000	\$ 7,420.00	17.5%
\$48,001 to \$70,000	\$ 14,020.00	30.0%
\$70,001 to \$180,000	\$ 50,320.00	33.0%
\$180,001 upwards		39.0%

<b>Example: Employee A</b>		
Gross cash Remuneration	\$78,333.00	



Tax on first \$70,000	\$14,020.00
Tax on remaining \$8,333	
@ 33.0%	\$ 2,749.89
Tax on \$78,333 =	\$16,769.89
Therefore:	
Net cash remuneration	\$61,563.11

**Note:** When calculating the tax on the cash remuneration the gross cash remuneration total is in whole dollars. The tax amount is truncated to the second decimal place after. For example, if the tax amount calculated was \$2,305.45674 the amount that would be shown as the tax on cash remuneration is \$2,305.45.

### Step 2: Calculate taxable value of attributed fringe benefits

The employer calculates the taxable value of each attributed benefit received by the employee. For each employee they add all the taxable values, of all such benefits received for each quarter, to get the annual value of the benefits for each employee. These are obtained from the FBT taxable value calculation sheet that employers have completed in quarters one to four.

<b>Example:</b>	
Quarter 1 total	\$1,272.00
Quarter 2 total	\$1,272.00
Quarter 3 total	\$1,177.60
Quarter 4 total	\$1,272.00
Total taxable value of benefit	\$4,993.60

For more details on attributed fringe benefits, and the thresholds that apply, please refer to the *Fringe benefit tax guide (IR 409)*.

Note: When adding the amount of benefits received by an employee, truncate figures to whole cents. Using the above example, the third quarter amount was calculated at \$1,177.60814, but is shown as \$1,177.60.

### Step 3: Fringe benefit-inclusive cash remuneration (FBICR)

For each employee take the net cash remuneration (whole dollars only) calculated in step 1 and add the taxable value of attributed fringe benefits (whole dollars only) from step 2. This gives the fringe benefit-inclusive cash remuneration (FBICR) total against which the FBT alternate rates will be applied.

<b>Example: Employee A</b>	
Net income	\$61,563.00
Taxable value on benefit	\$ 4,993.00
FBICR	\$66,556.00

Note: When transferring the fringe benefit-inclusive cash remuneration (FBICR) to step 4 this amount must be in whole dollars.

### Step 4: Applying the alternate rates

Tax on the FBICR is calculated using the rates in the table below.

**Table B:** Fringe benefit tax rates

<b>Fringe benefit-inclusive cash remuneration</b>	<b>Accumulative FBT per bracket</b>	<b>FBT tax rate</b>
From \$1 to \$12,530	\$1,469.76	11.73%
\$12,531 to \$40,580	\$7,419.16	21.21%
\$40,581 to \$55,980	\$14,019.60	42.86%
\$55,981 to \$129,680	\$50,316.85	49.25%
\$129,681 upwards		63.93%

**Example: Employee A**

FBICR (from step 3)	\$66,556.00
FBT on first \$55,980	\$14,019.60
FBT on remaining \$10,576	
@ 49.25% =	\$5,208.68
FBT on \$66,556.00	<b>\$19,228.28</b>

Note: When calculating the tax on the fringe benefit-inclusive tax remuneration within each fringe benefit tax rate, the amount calculated is to the second decimal place after the decimal point so the FBT on \$12,530 is \$1,469.76 ( $\$12,530 \times 11.73\% = \$1,469.769$ ). Using the above example, tax on the difference between \$66,556 and \$55,980 is \$10,576 ( $\$10,576.00 \times 49.25\% = \$5,208.68$ ).

**Step 5: Calculating the FBT liability**

Take the tax on the FBICR (step 4) and subtract the tax on the income (step 1). This gives the amount of fringe benefit tax the employer should have paid for that employee on the value of attributed benefits in that year.

**Example: Employee A**

Tax on FBICR of	\$19,228.28
Less tax on income	\$16,769.89
FBT liability for employer	<b>\$ 2,458.39</b>

**Step 6: FBT to pay**

The annual FBT liability for the employer is the:

- FBT calculated on attributed fringe benefits for each employee plus the
- FBT payable on the non-attributed fringe benefits.

The FBT payable on the taxable value of non-attributed benefits is calculated at a flat FBT rate of 49.25% (or 63.93% if received by major shareholder-employees or an associated person, if the benefits received by that associated person were not as an employee).

#### Quarterly filers

If the employer is a quarterly filer, the amount of FBT assessed in the previous quarters is subtracted from the total to get the amount to pay in the final quarter.

FBT to pay is transferred to Box 6 on the *Quarterly return (IR 420)*.

#### **Example: Employee A**

FBT liability for employer	\$2,458.39
Less FBT assessed in quarters	
1 to 3	\$1,600.28
FBT to pay in final quarter	<b>\$858.11</b>

The employer may be entitled to a refund if the annual FBT liability is less than the FBT assessed in quarters 1-3.

#### **5.20.5 Annual filers**

If the employer is an annual or income year filer, the total FBT to pay is \$2,458.39. This is transferred to Box 5 on the annual or income year return IR 422 or IR 421.

#### **5.20.6 Pooled alternate rate calculation**

The pooled alternate rate option is available from the 2021-22 tax year onwards. This option works in a similar way to the short form alternate rate option. The sole difference between these options is that under the pooled alternate rate option, **attributed** benefits are divided into two pools, with one pool taxed at the 63.93% rate and the other at the 49.25% rate.

This option is intended to strike a better balance between accuracy and simplicity for many employers than the other FBT payment options. Employers who predominantly provide attributed benefits to employees who earn less than \$180,000 in gross cash pay, especially if all or most of those employees earn within the "safe harbour" thresholds outlined below, are expected to benefit the most from this option.

By default, the 49.25% rate pool comprises benefits provided to employees whose remuneration is within the following “safe harbour” thresholds:<sup>1</sup> • Attributed benefits of up to \$13,400

- Cash pay of up to \$160,000.

The 63.93% rate pool comprises benefits provided to employees earning above the safe harbour thresholds.

#### **Treatment of non-attributed benefits**

**Non-attributed** benefits provided to employees that are not major shareholders are still pooled and taxed at the 49.25% rate, while any **non-attributed** benefits provided to employees who **are** major shareholders, or to persons associated with an employee who is a major shareholder, are still required to be pooled and taxed at the 63.93% rate.

#### **Pooled alternate rate example: Employee X**

Company A employs full-time and part-time staff in a range of roles requiring different skill sets, qualifications, and levels of experience. Salaries range from \$30,000 to \$170,000.

However, only Employee X earns \$170,000 before tax, with the next highest-paid employee earning \$120,000 before tax.

In the 2021–22 tax year, Company A provides fringe benefits totalling \$100,000 to all its staff members in the form of subsidised transport and some low interest, employment-related loans. No individual staff member received more than \$6,000 in attributed benefits, so none of Company A’s staff received anywhere near \$13,400 in attributed benefits. Employee X received attributed benefits to the value of \$5,000.

Company A has calculated its FBT liability for attributed benefits for the first three quarters of the 2021–22 tax year under section RD 59(2). This means it paid FBT at the rate of 49.25% of the taxable value of attributed benefits for those first three quarters. As fringe benefits totalling \$75,000 were provided in the first three quarters, Company A has paid FBT of \$36,937.50 for that period. Company A decides to use the pooled alternate rate option to calculate its FBT liability for the final quarter of 2021–22.

When preparing the FBT return for the final quarter, Company A identifies that only one employee earned above the safe harbour limit of \$160,000 in cash pay for the 2021–22 tax year, being Employee X. Company A accordingly pays FBT on the taxable value of fringe benefits attributed

<sup>1</sup> The exception to this rule is explained below at ‘Option to pay FBT at 49.25% rate for employees receiving all-inclusive pay below \$129,681’.

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to Employee X at the top rate of 63.93%.

*FBT for Employee X:*

Company A's FBT liability for Employee X for the 2021–22 year is \$3,196.50 ( $\$5,000 \times 63.93\%$ ).

*FBT for other employees:*

The total FBT payable for all other employees for the 2021–22 year is calculated by subtracting the taxable value of benefits attributed to Employee X from the taxable value of attributed benefits Company A provided to all its staff during 2021–22 and then applying the 49.25% rate to this amount.

The taxable value of attributed benefits Company A provided to all its staff during 2021–22 is \$100,000. Employee X received \$5,000 of these benefits. This means that the total FBT payable for Company A's employees (excluding Employee X) for the 2021–22 tax year is \$46,787.50 ( $(\$100,000 - \$5,000) \times 49.25\%$ ).

*Total FBT liability:*

Therefore, Company A's total FBT liability for all employees (including Employee X) for the 2021–22 tax year is \$49,984 ( $\$46,787.50 + \$3,196.50$ ).

As Company A has already paid \$36,937.50 in FBT for the first three quarters of the 2021–22 tax year, the FBT payable for the final quarter is \$13,046.50 ( $\$49,984 - \$36,937.50$ ).

**Option to pay FBT at 49.25% rate for employees receiving all-inclusive pay below \$129,681**

Employers may also choose to pay FBT at the 49.25% rate on benefits attributed to employees who receive less than \$129,681 in all-inclusive pay, even if the employee receives more than \$160,000 in cash pay or more than \$13,400 in attributed benefits. Provided the requirement around the level of the employee's all-inclusive pay is met, this choice is available to an employer even if the employee earns above either of the safe harbour thresholds outlined above.

**5.21 ESCT (employer's superannuation contribution tax)**

ESCT is a tax paid on employer superannuation cash contributions (employer contributions). ESCT is paid on all employer contributions made after the employer either starts new employment (auto-enrolment into KiwiSaver) or the employer has been given notice to make

KiwiSaver deductions (KS2 from employee or letter from IRD). ESCT applies to all employer contributions from that date onwards regardless of the pay period the payment may be for.

### 5.21.1 Options for calculating tax on employer contributions

ESCT can be calculated by the employer:

- using a progressive rate based on the employee's salary scale  
(see Table 1 below) or,
- at the employees request all or part of the value of the employer superannuation contribution can be included in the employee's gross salary or wages and taxed at their personal tax rates as per RD 68 (1) of the ITA 2007.

**Table 1**

#### **Income Tax Act 2007 RD 68 Choosing to have amount treated as salary or wages**

*Amount treated as salary or wages*

1. With the agreement of their employer who makes an employer's superannuation cash contribution on their behalf, an employee may choose to have some or all of an employer's superannuation cash contribution made on their behalf treated as salary or wages under the PAYE rules.

*Revoking election*

2. The employee's election is valid until revoked in writing.

### 5.21.2 Calculation Details

#### **Taxing employer's superannuation cash contributions as salary or wages under the PAYE rules**

All or part of the employer's superannuation cash contribution (employer contribution) can be included in the employee's gross salary or wages and taxed under the PAYE rules (section RD 68 (ITA 2007)).

#### **Example - when an employee is a member of KiwiSaver**

Rachel is employed by Company Q Ltd\*. She is a KiwiSaver member. Her employment agreement includes Company Q Ltd\* contributing \$15 (3%) a week to her KiwiSaver scheme, in addition to her normal weekly salary of \$500.03.

Rachel chooses, and her employer agrees, to have these contributions included as part of her salary.

This means Company Q Ltd\* uses the total of her salary and the employer contributions of \$515.03 to calculate her PAYE.

**Note:** Any student loan deductions, working for family tax credit entitlements or child support obligations the employee may have will be calculated on the new Gross amount of \$515.03. ACC employer levies will increase due to the new gross as well.

### Calculation Steps

Original Gross	\$500.03
KiwiSaver Employee Deduction 4%	\$20.00012
Truncated to 2 decimal places	\$20.00
KiwiSaver Employer contribution 3%	\$15.0009
Truncated to 2 decimal places	\$15.00
PAYE on \$500.03	\$76.30
PAYE on original gross plus employer contribution \$515.03	\$79.16

### 1. If the employer contribution is paid as a gross amount, the calculation is:

As per the above example the employer would deduct the following from the employee's salary or wages:

Total gross wage inclusive of the employer contribution	\$515.03
Less PAYE	\$79.16
Less KiwiSaver employer contribution	\$15.00
Less KiwiSaver employee deduction	\$20.00
Total net wage given to employee	\$400.87

### 2. If the employer contribution is paid as a net amount the employer will need to calculate what tax is to be deducted, the calculation is:

#### Step 1

Original gross wage	\$500.03
PAYE on original gross	\$76.30
Total gross inclusive of the employer contribution	\$515.03



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PAYE on gross inclusive of the employer contribution	\$79.16
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Step 2

PAYE on gross inclusive of the employer contribution	\$79.16
less PAYE on original gross	\$76.30
	\$2.86

\* the use of this name is used as an example only and Inland Revenue does not intend the use of this name to reflect on any real entity that may coincidentally have the same name.

Step 3

The employer contribution is sent to the provider less tax not PAYE, which means we have to identify and deduct the ACC Earners' Levy from the tax on the employer contribution.

Gross employer contribution	\$15.00
Multiplied by ACC Earners' Levy	1.53%
ACC calculated on employer contribution	\$0.22

Step 4

PAYE calculated on employer contribution (refer step 2)	\$2.86
Less ACC calculated on employer contribution	\$0.22
Total tax to deduct from employer contribution	\$2.64

Step 5

Gross employer contribution	\$15.00
Less tax to deduct from employer contribution	\$ 2.64
Net employer contribution	\$12.36

As per the above example the employer would deduct the following from the employee's salary or wages:

Total gross inclusive of the employer contribution	\$515.03
Less PAYE	\$79.16
Less KiwiSaver employee deduction	\$20.00
Less KiwiSaver employer contribution	\$12.36
Total net wage given to employee	\$403.51

### 5.21.3 Amount of employer superannuation cash contributions to be shown on the EI

When employer superannuation cash contributions (employer contributions) are treated as salary and wages the amount paid to the superannuation fund as shown on the EI can be either:

- the amount calculated on the original gross **or**
  - the amount calculated after the income tax component of the PAYE has been identified and removed from the employer contribution. This may be specified under the employment contract.

This can be calculated using the following options:

#### Option One

Employer contribution is \$15.00 per week and the gross wage is \$515.00 (incl employer contribution).

The employer shows the following information on the EI:

Gross	\$515.00
PAYE	\$79.16
KiwiSaver employee deduction	\$20.00
KiwiSaver employer contribution	\$15.00

#### Option Two

Employer contribution is \$12.36 per week and the gross wage is \$515.00 (incl employer contribution).

The employer shows the following information on the EI:

Gross	\$515.00
PAYE	\$79.16
KiwiSaver employee deduction	\$20.00 KiwiSaver
employer contribution	\$12.36

#### 5.21.4 ESCT rate threshold amount

The ESCT rate threshold amount is the salary or wages plus any superannuation contribution (before any ESCT has been deducted) paid by the employer (both KiwiSaver and other), during the last tax year (i.e. 1 April to 31 March).

If the employee has not **been employed** the full previous tax year, then the employer estimates what their earnings would be for a whole year.

Under section RD 67(a) of the Income Tax Act 2007, the amount of tax is determined by applying the relevant rate given by Table 1 to each dollar of an employer's superannuation contribution:

#### **Income Tax Act 2007 RD 67 Calculating amounts of tax for employer's superannuation cash contributions**

The amount of tax for an employer's superannuation cash contribution is the amount determined under Schedule 1, part D, clause 1 (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits)

**Note:** Schedule 1, Part D, clause 2 has been repealed.

#### **Income Tax Act 2007 Basic rates for ESCT given by Table 1**

##### **Amount of tax for section RD 67(a)**

Under section RD 67(a), the amount of tax is determined by applying the relevant rate given by table 1 to each dollar of an employer's superannuation contribution.

**Table 1**

Row	ESCT rate threshold amount	Tax rate
1	\$1 - \$16,800	0.105
2	\$16,801 - \$57,600	0.175
3	\$57,601 - \$84,000	0.300
4	\$84,001 - \$216,000	0.330
5	\$216,001 upwards	0.390

#### 5.21.5 Definition of ESCT threshold

With reference to the section YA 1 of the Income Tax Act (2007) the definition of the threshold amount to be applied to an individual employee is as follows:

### **Income Tax Act (2007) YA 1 Definitions**

ESCT rate threshold amount, for an employer's superannuation cash contribution, means-

- (a) for an employee employed by an employer for the whole of a tax year immediately before the tax year in which the employer's superannuation contribution is paid, the total amount of-
- (i) salary or wages derived by the employee in the previous tax year; and
  - (ii) the gross amount of employer's superannuation contributions before ESCT is withheld that the employer paid on behalf of the employee in the previous tax year; or
- (b) if paragraph (a) does not apply, the total amount of -
- (i) salary or wages that the employer estimates will be derived by the employee in the tax year in which the contribution is paid; and
  - (ii) the gross amount of employer's superannuation contributions before ESCT is withheld that the employer estimates that they will pay on behalf of the employee in the tax year in which the contribution is paid.

Therefore, the ESCT rate threshold is set at the beginning of the tax year and cannot change until the following year when the rate is re-calculated.

#### **5.21.6 Employer contribution and ESCT calculated using whole dollars and cents**

KiwiSaver legislation requires the following rules to be applied to the calculation for employer contribution:

- employer contribution is to be based on complete dollars and cents i.e. \$861.85 and not just \$861
- ESCT is calculated based on the last amount i.e. \$51 and not \$51.71.

#### **5.22 ESCT rate calculation examples**

##### **5.22.1 Employee with employer for whole tax year**

**Note:** Use employee's actual earnings from previous tax year

An employee has earned \$50,000 total income and has been employed by his employer for the full previous tax year. The employee has also received a gross employer superannuation contribution of \$4000 (8% of the employee's gross salary or wage) and the employer has paid other superannuation on behalf of the employee of \$216.00 (total employer superannuation contributions are \$4,216.00).

The ESCT threshold rate is calculated as follows:

Total income	\$50,000.00
Total Superannuation Contribution	\$ 4,216.00
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Total ESCT threshold amount is	\$54,216.00
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The tax rate that the ESCT will be deducted is 0.175 or 17.5%.

Note: The ESCT rate of 0.175 will remain for the whole tax year and will not change regardless of any change to employees salary/wages during the current tax year.

### 5.22.2 Employee with employer less than 12 months

Examples based in 1 April 2023 to 31 March 2024 tax year.

#### Example One - Employee starting in the current tax year

**NOTE:** Estimate income using expected current year's earnings

Employee commenced during the tax year on the 17th July 2023 earning weekly gross \$380 with employer superannuation contributions of \$11.40 per week.

- 1) Calculation to estimate income earned for 2024 tax year using period 17/7/2023 to 31/3/2024 (259 days)
- 2) Gross income + Superannuation Contributions/ days earnings x days in tax year
- 3)  $(\$380 + \$11.40) / 7 \times 259 = \$14,481.79$  ESCT rate threshold amount
- 4) ESCT threshold amount of \$14,481.79 is between \$0 - \$16,800.00, the ESCT rate for the 2024 tax year is 0.105 or 10.5%.

**Note:** The ESCT rate of 0.105 will remain for the whole tax year and will not change regardless of any change to employee's salary/wages during the current tax year.

#### Example Two - Employee started in the previous tax year

**NOTE:** Estimate income using expected current year's earnings (not previous year earnings)

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Employee commenced work on 15th March From 1 April 2023 contributions of \$26.34. 878.00 gross per fortnight with employer super

1) Calculation to estimate income earned for tax year 1/4 earnings they are expected to derive per fortnight (14 2023 to

2)

3)  $(\$878.00 + \$26.34) / 14 \times 366 = \$$

4) ESCT threshold amount of \$23,642.03 for the 2024 tax year is 0.175 or 17.5%.

**Note:** regardless of any change to employee'

2.03 ESCT rate threshold amount is between \$16,801 - 27,600, the ESCT rate

23, the whole tax year and will not s salary/wages during the tax year.

**Example Three - Casual employee starting in the current tax year**

**NOTE:** Estimate income using expected current year's earnings

Employee commenced work as a casual employee on the 14th November earning \$250.00 hour with employer superannuation contributions of 3%.

The employer has estimated the employee will work 150 hours from 14 /11/2023 to 31/03/2024:

- 1) Estimated income earned for tax year using – 150 hours worked x \$250 hourly rate = \$37,500 estimated earnings
- 2) Estimated Superannuation Contributions – \$37,500 estimated earnings x 3% employer contribution = \$1125.00
- 3) Add estimated gross income + estimated Superannuation Contributions – 37,500 + \$1125 = \$38,625.00 ESCT rate threshold amount
- 4) ESCT threshold amount of \$38,625.00 is between \$16,801 - for the the E: 2023 tax year is 0.175 or 17.5%.

**Note:** The ESCT rate of 0.175 will remain for the whole tax year and will remain regardless of any change to employee's salary/wages during the current tax year.

### 5.22.3 Calculating ESCT using the ESCT threshold tax amount

Sequence	Task	Associated Rules
1	Calculate Kiwisaver Employer Contribution.	See section 5.21.3
2	DROP CENTS to truncate to whole dollar - no rounding required	
3	Determine ESCT Rate	See section 5.22.1 & 5.22.2
4	Calculate ESCT.	Multiply truncated Kiwisaver Employer Contribution amount by ESCT rate
5	Truncate ESCT to whole cents e.g. \$75.678 becomes \$75.67.	
6	Calculate Total Kiwisaver net employer contribution	Kiwisaver Employer Contribution (prior to truncating to whole dollar) minus ESCT (Truncated to cents)

### 5.22.4 ESCT calculation where an employee contributes to both a KiwiSaver Superannuation scheme and another Superannuation Fund

An employee earns \$1546.00 gross for the month and receives a KiwiSaver employer contribution of \$30.92 (2%) and another superannuation fund employer contribution of \$15.46 (1%). The employee's ESCT threshold tax rate of 17.5%

ESCT will be calculated separately using rules in 5.22.3, before being added together:

KiwiSaver employer contributions (2%) 30.92 ( $\$30 \times .175 = 5.25$ )

Other super fund employer contributions (1%) 15.46 ( $\$15 \times .175 = 2.62$ )

Total ESCT = 5.25 + 2.62 = 7.87

#### 5.22.5 Refund of ESCT when an employee opts out

If an employee completes an Employee opt-out request (KS10) and their opt out is accepted, the employer is refunded all compulsory and non-compulsory employer contributions automatically if they have been forwarded onto IR.

Any tax, calculated on employer contributions, paid to IR for the employee that has opted out will be refunded to the employer on request. Employers can do this by either:

- completing an IR344 or
- calling us on 0800 377 772

#### Example

An employee earns \$800.00 gross for the week and is paid a net KiwiSaver employer contribution of \$19.80 (3% less ESCT of \$4.20). There are 4 pay periods in this month.

Returned on the Employment Information return (EI) are gross earnings of \$800.00 and a net KiwiSaver employer contribution of \$19.80.

The employee opts out and the employer receives a letter confirming this. The employer then contacts IR to request a refund of \$4.20 of the ESCT deducted.



## 6 Inland Revenue (IRD) Number validation

The IRD number format used by Inland Revenue is an eight or nine digit number consisting of the following parts -

- A seven or eight digit base number
- A trailing check digit

### 6.1 Check digit validation

The following steps are to be performed -

#### 1. Check the valid range

- If the IRD number is  $< 10\text{-}000\text{-}000$  or  $> 150\text{-}000\text{-}000$  then the number is invalid. This step ensures that the IRD number is in the already issued range, or is in the range expected to be issued in the next 10 years.

#### 2. Form the eight digit base number:

- Remove the trailing check digit.
- If the resulting number is seven digits long, pad to eight digits by adding a leading zero.

#### 3. Calculate the check digit:

- To each of the base number's eight digits a weight factor is assigned. From left to right these are: 3, 2, 7, 6, 5, 4, 3, 2.
- Sum together the products of the weight factors and their associated digits.
- Divide the sum by 11. If the remainder is 0, the calculated check digit is 0.
- If the remainder is not 0, subtract the remainder from 11, giving the calculated check digit.
- If the calculated check digit is in the range 0 to 9, go to step 5.
- If the calculated check digit is 10, continue with step 4.

#### 4. Re-calculate the check digit :

- To each of the base number's eight digits a secondary weight factor is assigned. From left to right these are: 7, 4, 3, 2, 5, 2, 7, 6.
- Sum together the products of the weight factors and their associated digits.
- Divide the sum by 11. If the remainder is 0, the calculated check digit is 0.
- If the remainder is not 0 then subtract the remainder from 11, giving the calculated check digit.
- If the calculated check digit is 10, the IRD number is invalid.

## 5. Compare the check digit :

- Compare the calculated check digit to the last digit of the original IRD number. If they match, the IRD number is valid.

### Example 1

IR number 49091850.

The base number is 4909185 and the supplied check digit is 0.

The number is greater than 10,000,000. Using the weightings above:

$$(0*3) + (4*2) + (9*7) + (0*6) + (9*5) + (1*4) + (8*3) + (5*2) = 154.$$

$$154 / 11 = 14 \text{ remainder } 0 \text{ (i.e. mod (154,11) = 0)}$$

The remainder (0) = check digit (0), so no further calculation is necessary.

### Example 2

IR number 35901981.

The base number is 3590198 and the supplied check digit is 1. The number is greater than 10,000,000. Using the weightings above:

$$(0*3) + (3*2) + (5*7) + (9*6) + (0*5) + (1*4) + (9*3) + (8*2) = 142.$$

$$142 / 11 = 12 \text{ remainder } 10 \text{ (i.e. mod (142,11) = 10) } 11$$

- 10 = 1 which matches the check digit.

The number is valid.

### Example 3

IR number 49098576.

The base number is 4909857 and the supplied check digit is 6. The number is greater than 10,000,000. Using the weightings above:

$$(0*3) + (4*2) + (9*7) + (0*6) + (9*5) + (8*4) + (5*3) + (7*2) = 177 .$$

$$177 / 11 = 16 \text{ remainder } 1 \text{ (i.e. mod(177,11) = 1) } 11$$

- 1 = 10 so perform the secondary calculation.

$$(0*7) + (4*4) + (9*3) + (0*2) + (9*5) + (8*2) + (5*7) + (7*6) = 181$$

$$181 / 11 = 16 \text{ remainder } 5 \text{ (i.e. mod(181,11) = 5) } 11$$

- 5 = 6, this matches the check digit.

The number is valid.

### Example 4 (9 digit IRD number)

IR number 136410132.

The base number is 13641013 and the supplied check digit is 2. The number is greater than 10,000,000. Using the weightings above:

$$(1*3) + (3*2) + (6*7) + (4*6) + (1*5) + (0*4) + (1*3) + (3*2) = 89 .$$

$$89 / 11 = 8 \text{ remainder } 1 \text{ (i.e. mod (89,11) = 1)}$$

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$11 - 1 = 10$  so perform the secondary calculation.

$$(1*7) + (3*4) + (6*3) + (4*2) + (1*5) + (0*2) + (1*7) + (3*6) = 75$$

$$75 / 11 = 6 \text{ remainder } 9 \text{ (i.e. } \text{mod } (75,11) = 9)$$

$11 - 9 = 2$  which matches the check digit.

The number is valid.

**Example 5** (9 digit IRD number)

IR number 136410133. The base number is 13641013 and the supplied check digit is 3. The number is greater than 10,000,000. Using the weightings above:

$$(1*3) + (3*2) + (6*7) + (4*6) + (1*5) + (0*4) + (1*3) + (3*2) = 89 .$$

$$89 / 11 = 8 \text{ remainder } 1 \text{ (i.e. } \text{mod } (89,11) = 1)$$

$11 - 1 = 10$  so perform the secondary calculation.

$$(1*7) + (3*4) + (6*3) + (4*2) + (1*5) + (0*2) + (1*7) + (3*6) = 75$$

$$75 / 11 = 6 \text{ remainder } 9 \text{ (i.e. } \text{mod } (75,11) = 9)$$

$11 - 9 = 2$ , this does not match the check digit (3).

The number is invalid.

**Example 6**

IR number 9125568. The number is less than 10,000,000 so fails the first validation.

The number is invalid.

**7 Bank account number validation**

The bank account number format used by all banks is numeric and includes the following parts:

- Bank ID (maximum 2 digits)
- Bank branch (maximum 4 digits) • Account base number (maximum 8 digits)
- Account suffix (maximum 4 digits).

For processing at Inland Revenue the fields for the individual account number parts are all of maximum size. If less than the maximum number of digits is supplied, then values are right justified and the fields padded with zeroes (where applicable).

**7.1 Validation step 1**

The first step in the validation process is to verify the Bank ID number. This number can then be used to derive the appropriate algorithm code for that bank. Once the appropriate algorithm code has been derived, the second whole account number validation step must be performed as outlined in Validation Step 2 on the following page.

Current valid Bank IDs and their associated algorithms are included in this table:

<b>Bank ID</b>	<b>Algorithm</b>
01	A or B (see note)
02	A or B (see note)
03	A or B (see note)
04	A or B (see note)
05	A or B (see note)
06	A or B (see note)
08	D
10	A or B (see note)
11	A or B (see note)
12	A or B (see note)
13	A or B (see note)
14	A or B (see note)
15	A or B (see note)
16	A or B (see note)
17	A or B (see note)
18	A or B (see note)
<b>Bank ID</b>	<b>Algorithm</b>
19	A or B (see note)
20	A or B (see note)
21	A or B (see note)
22	A or B (see note)
23	A or B (see note)
24	A or B (see note)
25	F

27	A or B (see note)
30	A or B (see note)
31	X
38	A or B (see note)
88	A or B (see note)

**Note:** If the account base number is below 00990000 then apply algorithm A, otherwise apply algorithm B.

The actual branch numbers in use change from time to time, and are included in the Bank Branch Register, which gets updated monthly.

A link to this register on the paymentsNZ website is included here:

<https://www.paymentsnz.co.nz/resources/industry-registers/bank-branch-register/>

To request monthly updates to the Bank Branch Register, use this email address:

[branchregister@paymentsnz.co.nz](mailto:branchregister@paymentsnz.co.nz)

## 7.2 Validation step 2

The second validation step is a modulus  $n$  algorithm applied to the whole account number. The algorithm type is derived from the table on the previous page. Follow this process:

1. Identify the corresponding weight factor for every digit in the account number as shown in the table below. Note: all fields (i.e., bank ID, bank branch, account base and account suffix) are right justified and padded with zeroes.
2. Add together the products of the weight factors and their associated account number digit.

If the algorithm E or G is used then add the two digits of the product (tens and ones), and again the two digits of the result before summing (see example 3).

Divide the sum by the value in the "Modulo" column below. If the remainder is zero then the bank account number is valid.

Algorithm	Bank		Branch				Account Base							Suffix				Modulo	
A	0	0	6	3	7	9	0	0	10	5	8	4	2	1	0	0	0	0	11
B	0	0	0	0	0	0	0	0	10	5	8	4	2	1	0	0	0	0	11
*C	3	7	0	0	0	0	9	1	10	5	3	4	2	1	0	0	0	0	11

D	0	0	0	0	0	0	0	7	6	5	4	3	2	1	0	0	0	0	11
E	0	0	0	0	0	0	0	0	0	0	5	4	3	2	0	0	0	1	11
F	0	0	0	0	0	0	0	1	7	3	1	7	3	1	0	0	0	0	10
G	0	0	0	0	0	0	0	1	3	7	1	3	7	1	0	3	7	1	10
*X	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Note 1: \*Algorithm C is not currently used by the banks.

Note 2: \*Algorithm X (for Bank ID 31) always verifies the bank account number to be valid. It is included in this table so the same validation logic can be applied to all account numbers.

**Example 1**

For the bank account number 01-902-0068389-00 algorithm A is to be used for validation.

Formatted account number:	0	1	0	9	0	2	0	0	0	6	8	3	8	9	0	0	0	0	0
Weight digits from table:	0	0	6	3	7	9	0	0	10	5	8	4	2	1	0	0	0	0	0

$$\begin{aligned}
 &(0*0) + (1*0) + \\
 &(0*6) + (9*3) + (0*7) + (2*9) + \\
 &(0*0) + (0*0) + (0*10) + (6*5) + (8*8) + (3*4) + (8*2) + (9*1) + \\
 &(0*0) + (0*0) + (0*0) + (0*0) \\
 &= 176 \\
 &176 / 11 = 16, \text{ remainder} = 0 \\
 &\text{The bank account number is valid.}
 \end{aligned}$$

**Example 2**

For the bank account number 08-6523-1954512-001 algorithm D is to be used for validation.

Formatted account number:	0	8	6	5	2	3	0	1	9	5	4	5	1	2	0	0	0	1	0
Weight digits from table:	0	0	0	0	0	0	0	7	6	5	4	3	2	1	0	0	0	0	0

$$\begin{aligned} &(0*0) + (8*0) + \\ &\quad (6*0) + (5*0) + (2*0) + (3*0) + \\ &\quad (0*0) + (1*7) + (9*6) + (5*5) + (4*4) + (5*3) + (1*2) + (2*1) + \\ &\quad (0*0) + (0*0) + (0*0) + (1*0) \\ &= 121 \end{aligned}$$

$$121 / 11 = 11, \text{ remainder} = 0$$

The bank account number is valid.

**Example 3**

For the bank account number 26-2600-0320871-032 algorithm G is to be used for validation:

Formatted account number:	2	6	2	6	0	0	0	0	3	2	0	8	7	1	0	0	3	2	2	
Weight digits from table:	0	0	0	0	0	0	0	0	1	3	7	1	3	7	1	0	3	7	1	0

- (2\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (6\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (2\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (6\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (0\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (0\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (0\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (0\*1) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (3\*3) = 09 -> 0 + 9 = 09 -> 0 + 9 = 09
- (2\*7) = 14 -> 1 + 4 = 05 -> 0 + 5 = 05
- (0\*1) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (8\*3) = 24 -> 2 + 4 = 06 -> 0 + 6 = 06
- (7\*7) = 49 -> 4 + 9 = 13 -> 1 + 3 = 04
- (1\*1) = 01 -> 0 + 1 = 01 -> 0 + 1 = 01
- (0\*0) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (0\*3) = 00 -> 0 + 0 = 00 -> 0 + 0 = 00
- (3\*7) = 21 -> 2 + 1 = 03 -> 0 + 3 = 03
- (2\*1) = 02 -> 0 + 2 = 02 -> 0 + 2 = 02

30

- 3. 30 / 10 = 3, remainder = 0  
The bank account number is valid

**8 Supporting fully electronic on boarding of new staff**

**8.1 Background**

If a payroll software provider wishes to [support fully electronic](#) options for interacting with Inland Revenue the screens that staff use to choose/change a tax code (section 24C(1) of the



Tax Administration Act 1994) and notify/change their KiwiSaver status ([section 17\(3\)](#) of the KiwiSaver Act 2006) must be in a 'form' authorised by the Commissioner. For schedular payees the notification of a tax rate must also be on a form authorised by the Commissioner (section 24I(1) of the Tax Administration Act 1994).

### 8.2 Record keeping:

The employer must retain the following 'forms' with their business records for seven years following the last payment of salary or wages to the employee/schedular payee.

**Note:** It is not compulsory for Payroll software providers to support electronic on boarding of new staff and electronic updating of KiwiSaver status changes, for example opting out or opting in as an existing employee. Employers can still capture this information from staff using Inland Revenue's paper forms e.g. IR 330, IR 330C KS2, KS10 etc.

#### 8.2.1 Information on commencement of employment

Employee (not schedular payee) information on commencement ([IR330](#) and [KS2](#)) On commencement the following information must be sought from new employees or prepopulated from information that has earlier been supplied by the employee and is signed or attested by them as true and correct.

Data to be stored on commencement:

- i. Employee name in full (Name that was used when they obtained their IRD number)
- ii. IRD number
- iii. Tax code      iv.      Date of birth
- v. Date on which the employee starts being an employee of the employer
- vi.      Address - fields should include postal address including post code, phone numbers day and mobile, and email address (this should replicate what we have asked for in employee details).
- vii. Employees eligible to belong to KiwiSaver must be asked whether they are a KiwiSaver member or not.
- viii. If they are a KiwiSaver member they must be asked if they are on a savings suspension or not.
- ix. The employee may choose one of the allowable contribution rates.
- x. Declaration that the information in above fields is true and correct or an attestation (tick box) against the declaration that the information in above fields is true and correct
- xi. Declaration date

The employee should be informed that:

- If they do not supply the first three fields and a signature/attestation the employer must deduct tax from their pay at the non-notified rate (currently 45 cents plus earners' levy)
- Fields (i - viii) will be shared with Inland Revenue who may in turn share information with some government agencies, another country if Inland Revenue has an information sharing agreement, and Statistics New Zealand (for statistical purposes only).
- New employees who are on a KiwiSaver savings suspension should be informed that they are required to show their savings suspension notice to the employer to prevent deductions being taken and, informed that if they have lost the notice they can obtain a replacement by phoning Inland Revenue on 0800549472.
- Tax code information - this should be supported by a link to Inland Revenue's "[work out my tax code](#)"

### 8.2.2 Salaried payees

Salaried payee information on commencement (paper form [IR330C](#))

On commencement the following information must be sought from new payees, or prepopulated from information that has earlier been supplied by the payee and is signed or attested by them as true and correct.

The payer must retain this 'form' with their business records for seven years following the last payment to the payee.

Data to be stored on commencement:

- Name in full (explained as the name that was used when they obtained their IRD number)
- IRD number
- Tax rate
- Salaried payment activity number there should be a link to further information
- Designation or title (if applicable)
- Declaration that the information in above fields is true and correct or an attestation (tick box) against the declaration that the information in above fields is true and correct
- Declaration Date.

The payee should be informed that:

- If they do not supply the first four fields and a signature/attestation the payer must deduct tax from their pay at the non-notified rate (currently 45% except for nonresident contractor companies where it is 20%).
- Fields (i-ii) will be shared with Inland Revenue who may in turn share information with some government agencies, another country if Inland Revenue has an information sharing agreement, and Statistics New Zealand (for statistical purposes only).

- There should be a link to [background information about schedular payments](#).
- There should be a link to further information for the [tax rate](#)

### 8.2.3 Change of tax code:

Employee (not schedular payee) change of tax code (IR330) Data

to be stored on change of tax code (IR330):

- Employee name in full (explained as the name that was used when they obtained their IRD number) ii.  
IRD number
- Tax code
- Declaration that the information in above fields is true and correct or an attestation (tick box) against the declaration that the information in above fields is true and correct
- Declaration date.

The employee should be informed that:

- If they do not supply the first three fields and a signature/attestation the employer must deduct tax from their pay at the non-notified rate (currently 45 cents plus earners' levy)
- Fields (i-iii) will be shared with Inland Revenue who may in turn share information with some government agencies, another country if Inland Revenue has an information sharing agreement, and Statistics New Zealand (for statistical purposes only).
- The employee should be provided with a link to Inland Revenue's "[work out my tax code](#)"

## 8.3 KiwiSaver information

Electronic updating of KiwiSaver status must offer the employee the opportunity to – opt in; opt out; change contribution rates and cease contributions.

The fields indicated below may be completed by the employee or prepopulated from information earlier supplied by the employee. The employee must electronically sign or attest to the correctness of the information in all of the required fields and date the signature/attestation.

There should be a link to further [KiwiSaver information](#)

### 8.3.1 Opt-out as an existing employee (KS10) Data

required for opt out ([KS10](#)):

- Employee name in full (explained as the name that was used when they obtained their IRD number) ii.  
IRD number

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- iii. Address - fields should include postal address including post code, phone numbers day and mobile, and email address.
- iv. Employment start date.
- v. Bank account details - for any refunds.
- vi. A place for a "late opt out reason" if it is a late opt out (Text 200 char).
- vii. Declaration that the information in above fields is true and correct or an attestation (tick box) against the declaration that the information in above fields is true and correct
- viii. Declaration date.

The employee should be informed that:

- Fields i - vi (i - v if we cannot consume late opt out reason) will be shared with Inland Revenue which may share it with some government agencies; another country if there is an information supply agreement in place, Statistics New Zealand (for statistical purposes only)
- New employees who are on a KiwiSaver savings suspension should be informed that they are required to show their savings suspension notice to the employer to prevent deductions being taken and, informed that if they have lost the notice they can obtain a replacement by phoning Inland Revenue on 0800549472.

### 8.3.2 Opt-in as an existing employee (KS2) Data

required for opt in([KS2](#)):

- i. Employee name in full (explained as the name that was used when they obtained their IRD number)
- ii. IRD number
- iii. Address - fields should include postal address including post code, phone numbers day and mobile, and email address (this should replicate what we have asked for in Employee Details)
- iv. Choose one of the allowable contribution rates
- v. Declaration that the information in above fields is true and correct or an attestation

(tick box) against the declaration that the information in above fields is true and correct  
vi. Declaration date

The employee should be informed that:

- fields i - iii will be shared with Inland Revenue which may share it with some government agencies; another country if there is an information supply agreement in place, Statistics New Zealand (for statistical purposes only)

### 8.3.3 Change contribution rate (KS2)

Data required for change contribution rate ([KS2](#)):

- Employee name in full (explained as the name that was used when they obtained their IRD number) ii.  
IRD number
- Choose one of the allowable contribution rates
- Declaration that the information in above fields is true and correct or an attestation (tick box) against the declaration that the information in above fields is true and correct
- Declaration date

### 8.3.4 Cease contributions at 65 and have been a member for a minimum of 5 years(KS51)

Data required for cease contribution rate ([KS51](#)):

- A statement that the employee is entitled to withdraw savings from their KiwiSaver account
- Employee name in full (explained as the name that was used when they obtained their IRD number) iii.  
IRD number
- Declaration that the information in above fields is true and correct or an attestation (tick box) against the declaration that the information in above fields is true and correct
- Declaration date.

## 9 Appendix

### 9.1 Change Log

Version Number	Sections changed	Change description	Date
V0.01	2.1	Updated the ACC Earners' Levy rate and thresholds for the 2023/24 year. Reflected the new amounts in the applicable calculation examples throughout the document.	26/07/2022

	5.22.2	Corrected the number of days in Example One from 257 to 258, then updated to 259 as 2024 is a leap year. Updated number of days in Example Two from 365 to 366 for leap year.	26/07/2022
	5.14	Noted that this section also applies to employees with student loan payments.	26/07/2022
	5.12	<ul style="list-style-type: none"> <li>Applied the term 'annualised amount' consistently throughout the section.</li> <li>Removed mention of a 'grossed up amount' (step 3.1).</li> <li>Removed calculation of 'grossed amount' from 3.1, as this needs to come after explanation of 'low threshold amount'.</li> <li>Added a step for calculating the 'low threshold amount' (3.2).</li> <li>Added a step for the calculation of grossed amount (3.3).</li> <li>Renumbered the rest of section 3 accordingly.</li> <li>Corrected 4.4 to correctly explain how to calculate ACC when not all the extra pay is liable for ACC levies.</li> <li>Amended the existing example to follow the order laid out in the instructions, and to make terminology consistent.</li> <li>Added a second example, illustrating how to calculate ACC when not all the extra pay is liable for ACC levies.</li> </ul>	27/07/2022
	5.21.4	Changed the term 'worked' to 'been employed' in the 'ESCT rate threshold amount' definition to align with the wording in the legislation.	28/07/2022
<b>Version Number</b>	<b>Sections changed</b>	<b>Change description</b>	<b>Date</b>
	5.5	Updated the hourly rate in the NSW extra pay example to \$25 per hour to ensure it is over the current minimum wage rate.	07/09/2022