Are you an employer?

You'll need this

The important bit is on page 2

www.smartpayroll.co.nz

You’re an employer so what now?

Whether you’re employing staff for the first time or have taken over a business with current employees, the information and suggestions in this guide will help you understand your basic obligations.

Don’t worry; you won’t have to spend much time on it. The important stuff is on the next two pages so at least read that far. The rest is just general information you might need later so keep it handy.

First of all choose a good payroll system that makes it easy. It doesn’t have to be expensive. If you want some advice call us at SmartPayroll - phone 0800 10 10 38. We’ll listen to what you need and recommend a system that will suit you and your budget.

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Register as an employer with IRD

The first step is to register as an employer with IRD. It's easy to do and only takes a few minutes.

You'll need a company IRD number but you can use your personal IRD number if you're not a registered company.

You can either:

- use the IRD online employer registration www.ird.govt.nz (ie type "register as an employer" in the search box at the top), then:
  1. Click on "Get it done online" on the right
  2. Click on "Employers (payroll)"
  3. Click on "Register as an employer" and follow the prompts, or
- complete an Employer registration form (IR334) and post it to IRD (you can download that form from the IRD website www.ird.govt.nz). Just search for IR334 in the IRD website click download.

Note: If registering online IRD will send you a confirmation email that you must reply to.

Set up a simple file for each employee

This is a great way of keeping each employee's documentation together.

It can be simple – just a cardboard folder with the employee's name on the front is okay. In that file have:

- An employment contract
- An IR330 tax declaration form (filled in by your employee)
- KiwiSaver forms

1. Employment contract

By law you must have a signed contract on file for all employees. If you don't have one you can visit the Department of Labour website www.dol.govt.nz to build you own. Under "Tools and resources" click "Employment Agreement Builder". Or there are several organisations in NZ that will help you with a basic contract but will probably charge a fee. Just search on the Internet or give us a call 0800 10 10 38 and we'll recommend someone to you.

2. IR330 - Tax code declaration

It's up to the employee to tell you what their tax code is. Ask them to fill in and sign an IR330 then keep it in their file. This confirms the rate of tax to deduct from their wage or salary. You can download an IR330 from www.ird.govt.nz. Just type IR330 in the search box.

3. KiwiSaver forms (KS1 and KS2)

KiwiSaver forms and booklet can be downloaded from the IRD website www.ird.govt.nz. Make sure a new employee fills in the right forms, ie:

a) If they want to join KiwiSaver the employee should fill in a KS1 and KS2 form. Keep the KS2 form in their file and send the KS1 to IRD (the address is on the form).

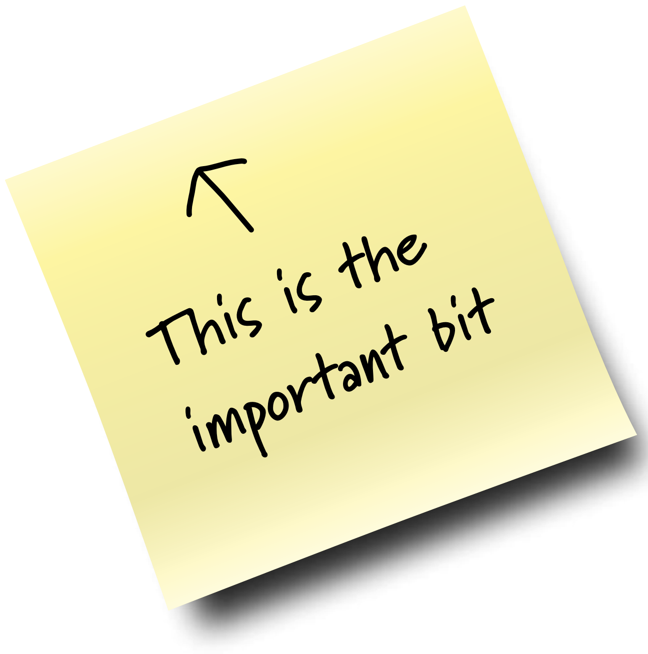
b) If an employee doesn't want to join KiwiSaver ask them to fill in a KS10 (opt out form) and send it to IRD. Keep a copy on their file.

KS2 form: proof of the % an employee wants deducted from their salary or wages for Kiwisaver.

KS1 form: to send to IRD to inform IRD the employee wants to join KiwiSaver.

KS10 form: to opt out of KiwiSaver.

There's more later in this booklet about KiwiSaver and your obligations.



Paying employees

If you're using SmartPayroll to pay your employees it's super easy, and best of all it's online.

Your legal obligations are all taken care of for you and filed with IRD automatically:

- PAYE
- ESCT (employer superannuation contribution tax)
- Student loans
- Child support (if notified by IRD)
- Court fines
- KiwiSaver

You can also use a manual system (like an Excel spreadsheet or a wages book) or you can buy and load a payroll programme onto your computer to work out the pays but an online system gives you more bang for your buck and saves heaps of time.

Minimum wage

There are three minimum wage rates:

- the adult minimum wage applies to all employees aged 16 and over who are not new entrants or trainees
- the new entrants minimum wage applies to employees aged 16 and 17, except for those who have completed 200 hours or three months of employment in the workforce, whichever is shorter; or who are supervising or training other workers; or who are trainees
- the training minimum wage applies only to employees aged 16 and over who are doing recognised industry training involving at least 60 credits a year.

Check what the minimum wage and training wage is on www.dol.govt.nz and type minimum wage in the search box.

Does an employer have to provide a payslip?

No you don't, not unless there's an agreement to do so. You're under no specific legal obligation to provide a payslip. However the employee has the right to see information about how the company has worked out his wages and see the time records relating to his hours of work.

An employee also has the right to request information about their annual leave and sick leave entitlement.

We suggest providing a payslip to employees each time they're paid showing the hours they're being paid, the hourly rate (or salary), allowances paid or deductions made from their pay and annual leave they've earned so far.

Note: We don't like to brag but SmartPayroll does all that and you can even email the payslips.

Employee or Contractor?

A word of advice - don't make the mistake of paying someone as a contractor if they really fall under the category of employee.

This can be a trap that can cause you serious problems later.

They are probably an employee if:

- the intention of the employer and employee is to form an employment relationship, and this is shown in any written agreement or correspondence and/or by the behaviour of the parties to it
- the employer or their agent controls the hours worked
- the employer or their agent has the power to hire and fire
- the employer makes the profit or loss from the enterprise
- the employer deducts ACC premiums and PAYE tax on behalf of the employee
- the employer supplies materials for the work
- the employer owns or leases the equipment needed
- the employee is bound to one employer at a time and is expected not to compete or offer his or her skills to competitors of the employer

They are probably a contractor if:

- the intention of the parties to the contract is not to form an employment relationship, and the actual nature of the relationship reflects this
- the contractor controls how and when the job is done
- payment is made in a lump sum at the end of a job, or in instalments as progress is made on the job
- the contractor can choose who does the job and can hire other people without approval from the other party
- the contractor pays any tax, ACC and insurance directly
- the contractor can make a profit or suffer a loss directly
- the contractor supplies equipment and materials
- the contractor is free to accept similar work from a number of sources at the same time

Still unsure if they're an employee or contractor?

Sometimes it's still not entirely clear. But you can get into trouble if:

- someone is taken on as a self-employed contractor, but they think they're really an employee; or, more typically
- during the course of either an investigation by a Labour Inspector, in the course of mediation or before the Employment Relations Authority, where there is an action, say to recover arrears of wages or holiday pay, the actual nature of the relationship sometimes comes into question.

We suggest you err on the side of caution and if there's any doubt make them an employee.

Casual workers

Casual workers don't work fixed or regular hours and don't have an ongoing obligation to work for the company.

They work "on call" when you need them.

A casual worker can also be working for fixed hours for a short-term contract. This contract must be for less than one year to fall into the criteria of "casual".

Casual workers can be paid 8% on top of their wages as holiday pay each time they receive their wages. Or they can accrue the value the same as a part-timer and be paid out their 8% on termination.

Casual workers are entitled to:

- Sick leave (if still working for the company after 6 months)
- Bereavement leave (if still working for the company after 6 months)
- Statutory holidays (immediately).

A word of caution...

If you hire an employee as a casual worker and pay them 8% of their income as holiday pay it doesn't let you off your obligations as an employer for annual leave. If that employee stays longer than a year, the employee was really part-time and is then entitled to 4 weeks paid holiday. You may have paid the employee their 8% all year, and then still end up paying them for 4 weeks holidays as well if they challenge it!

We suggest you err on the side of caution and if there's any doubt make them part time.

Part time workers

A part time worker is someone who works for you on a regular basis but the hours can be either the same or varied up to 30 hours per week.

They have the same rights as full time employers. They are entitled to 4 weeks annual leave.

Foreign workers

Permanent residents of New Zealand and Australia don't need a work permit to work in New Zealand. Everyone else does.

PAYE and other IRD tax requirements

P.A.Y.E.

All employees have to pay PAYE. Your job as an employer is to collect the PAYE from your employees pays and send it to the IRD by the due date.

Payment and returns to the IRD are usually due by the 20th of the following month (unless IRD tell you you're a large employer and have to file twice a month). To file your IRD return you have to fill in two forms:

1. **IR345:** this is the employer deductions form which you attach to your payment, and
2. **IR348:** this is the employer monthly schedule with the details of each employee's deductions.

Note: If you have self-employed contractors working for you, you may need to deduct withholding tax from any payments (depending on the work they're doing) unless they're invoicing you through a company. If they're not invoicing you through a company ask them to fill in an IR330 then deduct withholding tax.

Note: If you're using SmartPayroll to act as your payroll intermediary with IRD then you don't need to worry about filing PAYE at all – it's all done for you.

If you're not sure check with SmartPayroll's helpdesk – call 0800 10 10 38.

Fringe benefit tax

A little bit of accounting here.... If you supply perks to your employees, you'll need to send IRD a fringe benefit tax payment by the due date. You can download the forms from www.ird.govt.nz and post them or just complete them online.

- Fringe benefit tax quarterly return (IR420), or
- Fringe benefit tax income year return (IR421), or
- Fringe benefit tax annual return (IR422).

Note: Best to ask your accountant if you think you have to pay fringe benefit tax. They will advise you correctly. As a general rule, never pay your employees any cash payments without deducting tax correctly

Deductions

Sometimes IRD will send you a letter asking you to take deductions from an employee's wages, ie for child support, student loan, court fines, or KiwiSaver contributions. Those deductions need to be added to the PAYE return.

If IRD want you to take deductions from wages they will tell you when to start the deductions and also let you know when to stop. You shouldn't take any other deductions from employees' wages unless:

- The employee has given their written consent. The employee can withdraw this consent in writing at any time.
- For overpayments where the employee has been absent from work without the employer's authority, been on strike, locked out or suspended.
- They are provided for in an employment agreement.
- A Court or IRD tells you to.

Additional payments to employees

Sometimes you might want to pay employees additional payments such as special benefits or allowances as part of their contract or even just as a one-off payment.

Below are some hints on how to pay them and the tax obligations.

Holiday pay

Holiday pay and pay for statutory holidays are taxed in the period you actually pay them.

Bonuses

Any bonuses paid to staff are taxable. To calculate tax, lump sums are added to the total salary for the year. They are usually also liable for ACC earners' levy.

Employees can choose to pay tax on a lump sum at a higher rate. Redundancy and retiring payments are taxed at lump sum rates, but are not liable for ACC earners' levy.

Allowances

There may be circumstances where you want to pay your employees allowances.

Some allowances are taxable and others are tax free. To see more detail about allowances visit IRD's website: www.ird.govt.nz.

Mileage allowance

Employers can reimburse an employee for using their private vehicle for work purposes.
The mileage rate for motor vehicles is 77 cents per kilometre but it can change so to check visit www.ird.govt.nz and type "mileage" in the search box. This reimbursement is exempt from income tax.

Benefit allowances

Benefit allowances are payments made to employees in addition to salary or wages (for example food or accommodation). Tax is payable on the difference between the market value of the benefit, and any amount the employee actually pays.

Travel allowances

A travel allowance can be paid to an employee for travel between home and work and can be tax-free providing certain conditions are met. Check IRD's website www.ird.govt.nz for those conditions.

Reimbursement allowances

Reimbursement allowances are paid to employees to cover on-the-job expenses such as meals, mileage or tools. In most cases they are not taxable.

GST on allowances

If you're registered for GST, you can claim GST credits on reimbursements paid to employees for business expenses. You cannot claim GST credits on other allowances paid to employees.

Record keeping requirements

You must keep records of all your PAYE deductions for at least seven years.

It's best to keep employees' information in their individual files so you can find it when you need it.

Records to keep

- Wage book information
- PAYE payment receipts
- Tax code declarations (IR330) completed by employees
- Letters from IRD requesting you change your employee's tax code

Leave entitlements

Annual leave

Employees are entitled to a minimum of four weeks annual holidays (ie 20 days) after the first year of employment. This is a minimum entitlement but you can agree to give them more leave if you choose.

Employees can request to "cash up" some of their annual leave.

If you don't want to give employees the ability to "cash up" their annual leave or transfer public holidays, then issue a policy informing them of your position. This policy can apply to the whole of your business or to just some parts of the business and not others. If you agree to transfer a public holiday, be aware that the holiday must be transferred to a day that would otherwise be a working day for the employee in question and that the day cannot be taken on another public holiday.

See www.ird.govt.nz.

Leave forms

If an employee wants to apply for leave, ask them to fill in and sign a leave form (see sample at the end of this booklet). Then keep a copy in the employee's file as proof they requested that leave. Having that form on file will protect you from any later disputes.

Annual leave payment

The key is to ensure the employee is paid correctly when they take annual holidays or when their employment ends. If you're paying someone for annual holidays you should pay *the greater* of their ordinary weekly pay at the time the holiday is taken or their average weekly earnings over the last 52 weeks.

Leave entitlements

Continued

Sick leave

Employees are allowed a minimum of five days paid sick leave after they've been working for you for six months continuously. Then after that they get an additional five days paid sick leave every 12 months.

Sick leave can be used when an employee is sick or injured, or when the employee's spouse or a dependent person (such as a child or elderly parent) is sick or injured and needs care.

Can an employer ask for proof of sickness?

Yes you can. You can ask for proof of sickness or injury within three consecutive calendar days (without being reasonably suspicious regarding misuse of sick leave). You must let them know that proof is required as early as possible and meet the employee's reasonable expenses in obtaining the proof.

Accumulation of sick leave

Under the Holidays Act 2003 an employee can carry over unused sick leave. The maximum accumulation under the Act is 20 days leave.

You can find more about sick leave on www.ird.govt.nz

Bereavement leave

Employees are entitled to three days paid bereavement after the first six months of continuous employment for the death of an immediate family member. Where there are multiple bereavements, the employee is entitled to three days bereavement leave for each one.

In the event of a death not in the immediate family

An employee is entitled to one day of paid leave if the employer accepts that the employee has suffered bereavement.

If you have any questions the Employment Relations Info line is able to provide information on managing sick leave and bereavement leave. The Info line can be reached on 0800 20 90 20.

Parental leave

Once you have agreed on parental leave arrangements with your employee, the employee should make the application for paid parental leave to Inland Revenue as soon as possible.

As an employer you have to:

- Inform your employee of their paid parental leave entitlements
- Consider, then approve or decline your employee's request to take parental leave
- Accurately confirm the length of employment and income details on the employee's application for the parental leave payment
- Confirm the parental leave arrangements with your employee

Your employee is expected to give you three months notice and should apply in writing stating:

- What type of leave they want to take
- When they plan to start their leave
- The period of leave they intend to take
- That the total amount of leave they are taking will not be more than their maximum entitlement – 14 or 52 weeks depending on whether they have a six or 12 month qualifying period

  They must attach a certificate, or a copy of a certificate, from their doctor or midwife, stating when the baby is due.

When you receive their application you have 21 days to reply. The reply should state:

- Whether the employee is entitled to take parental leave, and if not, the reasons why not
- The main legal rights and obligations they have, especially those relating to when they can start their leave
- Whether the job can be kept open or not. If it can't, the letter should explain that they are entitled to dispute that, and will have preference for similar jobs for six months at the end of the parental leave

Can I decline leave?

An employee has a legal right to take leave to which they're entitled. In certain circumstances you have the right not to hold the employee's position open.

Does an employee still accrue annual holidays whilst on parental leave?

Yes they do. Parental leave is seen as continuous service and taking parental leave doesn't affect an employee's entitlement to annual leave; the employee will still be entitled to four weeks. However, the payments for that leave will be affected by the parental leave so will be a lot less.

This means that if the employee takes their annual holidays soon after coming back from parental leave there is a high likelihood that the payment for annual leave will be smaller than if they took their annual leave at another time.

Annual leave is always calculated at the time the employee takes their leave.

You can find everything you need to know about parental leave on www.dol.govt.nz. Just type "parental leave" in the search box.

Leave options for companies

Companies that close down for a period of the year (e.g. at Christmas time for three weeks) would expect their employees to have gained annual leave to carry them over the close-down period. These companies have annual leave based on the Company's anniversary date.

Other companies would have annual leave based on the employee's anniversary date (the anniversary of their starting employment with the company).

Examples:

Company anniversary date

John's company closes down at Christmas for four weeks. All employees know that they will be on holiday for four weeks and are prepared to take their annual leave at that time. If employees have taken their annual leave earlier in the year instead, they would understand that the close down period at Christmas will be taken as "leave without pay" (after any statutory holidays have been paid out).

Mark started working towards the end of the year and does not have enough leave to pay him for four weeks. He would be paid for four statutory holidays but would only have enough leave for a few days after that. Mark should be paid out his 8% of earnings at the same time as everyone else (the close-down date) and start accruing leave again from that moment. By the same time the next year he would have accrued enough leave to take him over the holiday period.

Employee anniversary date

John's company doesn't close down completely – some employees take their holidays at Christmas but others carry on working over the holiday period. All staff can take their statutory holidays of course.

Leave entitlements

Continued

Using this method of annual leave means that the staff can choose when they want to take their leave during the year. This leave taken period must be under agreement with the company and the employee – staff should not take leave when it will put undue pressure on the company because of their absence.

Companies can choose not to allow staff to take their annual leave until it has been “earned”.

Earned and accrued leave

There are two types of annual leave; earned and accrued.

Accrued leave

From the moment the employee begins working, he/she starts gaining leave hours towards their four week holiday entitlement. This leave is called “accruing” leave. Companies can refuse to allow employees to take this leave until it becomes earned leave.

Earned leave

Each year, on the anniversary of an employee’s start date, the leave that has been accruing all year becomes “earned” leave and is available to be taken.

How to calculate leave

To calculate how much leave your employee is gaining each week use this calculation: Normal hours worked x 4 / 52 (ie normal hours worked multiplied by four weeks’ holiday, divided by 52 weeks).

Example:

Mark works 40 hours per week. The calculation to find out how much he has gained this week is:

40 hrs x 4 weeks = 160 hrs
160 hrs divided by 52 weeks = 3.0769

Mark has accrued 3.08 hours this week towards his annual leave entitlement.

You may not realise this but...

When your employees take their annual leave, they’re still accruing annual leave hours while on holiday. In other words they’re gaining accrued hours on all the paid weeks of the year, not just the “worked” weeks.

Terminating staff

When a staff member leaves you will calculate their "termination" pay.

It will include any leave owing in addition to their normal wage or salary.

Should terminating staff be entitled to statutory holidays if they're leaving close to a public holiday?

Yes, if your employee has enough "earned" leave hours that, if taken as holidays on the last day of employment would carry them over the statutory holiday period, then you must pay the employee for the statutory holiday. This does not apply for employees who are leaving but who only have "accrued" leave.

Example:
Mark is leaving. He has five days of earned leave still to be paid out. He leaves on Friday 24th December. As he has five days of earned leave, and if he took that leave on the 24th December he'd be paid for the following week, he will be paid for the statutory holidays on Monday 27th and Tuesday 28th December.

Pete is leaving on the same day. He hasn't been with the company a full year and only has accrued leave. He therefore is not entitled to be paid for a statutory holiday the following week.

KiwiSaver

KiwiSaver is voluntary and is designed to help New Zealanders with their long-term saving for retirement.

It's intended to complement NZ Superannuation. KiwiSaver is open to all NZ residents and people entitled to live here permanently, aged up to 65.

It seems odd to say it's voluntary then tell you it's compulsory but it's true (sort of). It's compulsory for new employees to join Kiwisaver when they start a new job but they can opt out after two weeks (and before eight weeks). IRD will refund any contributions they've paid. Some employees are exempt as outlined below. Make sure if an employee wants to opt out they do it within eight weeks of starting because after that they won't be able to.

Exceptions to automatic enrolment

An employee won't be automatically enrolled if they:

- are under 18 years old
- are a casual agricultural worker or election day worker
- are a private domestic worker and you pay your own PAYE
- are employed on a temporary employment contract of 28 days or less
- are a casual employee who receives holiday pay with your wages
- are on paid parental leave or ACC
- stay on the same payroll

- when a business is taken over or amalgamated, or
- if you relocate with the same employer
- only receive scheduler payments (formally withholding payments)
- aren't required to have PAYE deductions made from your salary and wages
- revert to an employer from whom you were seconded, straight after that secondment

Benefits for employees to belong to KiwiSaver (as at 1st April 2012)

- the government kick-starts each KiwiSaver member's account with $1,000 tax-free, and
- the Government will pay 50 cents for every dollar of member contribution annually up to a maximum payment of $521.43. This means that an employee must contribute $1,042.86 annually to qualify for the maximum payment of $521.43, and
- the employer also has to put money in equal to 3% of the employee's pay.

Eligibility to join KiwiSaver

To join KiwiSaver, a person must be:

- living (or normally living) in New Zealand, and
- a New Zealand citizen or entitled, under the Immigration Act 1987, to be in New Zealand indefinitely.
- Under the age of eligibility for NZ Super (age 65).

Within seven days of a new employee starting

1. If an employee is eligible to join KiwiSaver, give them a *KiwiSaver employee information pack* (KS3). You can find the KS3 booklet on www.ird.govt.nz (type Kiwisaver in the search box)
2. The pack includes a KiwiSaver deduction form (KS2) which an employee can fill in to let you know the percentage to deducted from their pay. If they don't complete the form, make deductions at the default rate of 3% (from April 2013)

   Keep the KiwiSaver deduction form (KS2) for your records.
3. Send IRD the full names, IRD numbers and addresses of any new employees you're automatically enrolling, using the KiwiSaver employee details (KS1) form. You still need to send this information to IRD if the employee intends to opt out.
4. If an employee wishes to opt out they can not do so until after 2 weeks. Then they have up to 8 weeks (56 days) of starting their new job to opt out. To opt out an employee must fill in an opt out request (KS10) which you then send to IRD.

   IRD will refund any payments made directly to the employee's bank account. It can take up to 3 months for IRD to send the refund as they have to get the contributions back from the KiwiSaver provider.
5. If you have an employer-chosen KiwiSaver scheme you must advise new employees in writing that you have chosen a scheme that they will be allocated to unless they choose their own KiwiSaver scheme. You must also give them your scheme's investment statement.

From their first pay

You must make KiwiSaver deductions from all payments of salary and wages after the employee starts work until:

- an opt-out notice takes effect
- the employee no longer receives salary or wages
- a contributions holiday is granted (IRD will let you know)
- you're notified by Inland Revenue (IRD), or

- the employee becomes eligible to and withdraws their savings.

Each pay day you must deduct contributions from your employee's before-tax pay (ie gross pay) and pass them on to the IRD. The IRD then transfers those contribution to the employee's chosen scheme provider.

If employees ask for advice

A word of caution: You are not allowed to give financial advice to employees unless you're a financial advisor. Instead, refer them to the Retirement Commission's Sorted website www.sorted.org.nz.

Compulsory employer contributions

From the first payday, for any employee that belongs to KiwiSaver, you will be required to make a compulsory contribution to their KiwiSaver account or complying fund at 3% of their gross salary or wage.

New employees who are existing KiwiSaver members

A new employee who is an existing KiwiSaver member must give you either:

- a *KiwiSaver deduction form* (KS2) to let you know to deduct 3%, 4% or 8%, or
- a valid *KiwiSaver contributions holiday request* (KS6)

Note: You don't need to send Inland Revenue a KiwiSaver employee details form (KS1) for new employees who are existing KiwiSaver members.

ACC

All employees must pay an ACC earners levy to cover the cost of non-work-related injuries.

IRD collect this on behalf of the ACC. This levy is part of an employee's PAYE so is deducted along with PAYE. This means employers don't need to do any extra calculation for it in each pay period.

Don't confuse this with the Company ACC levy which is paid separately. You'll receive an invoice from the IRD for that each year.

Work-related injuries

When employees have an injury claim, there are a few simple things for you to do.

1. Ensure they receive treatment as soon as possible.
2. Where serious harm has occurred, the Department of Labour has processes and timeframes for reporting. Check out ACC's website www.acc.co.nz.

If your employee needs time off work, you need to:

1. pay them for the first week to compensate them for lost earnings, at 80% of what they would have earned that week, and
2. provide ACC with an ACC3 Employee Earnings Certificate to enable ACC to start paying weekly compensation to the employee from the second week onwards.

Note: We recommend you wait to see if it is actually an ACC claim first because if it's not an ACC claim you can just pay them sick leave or annual leave for the time they had off.

ACC

Continued

Non-work injuries

If your employee needs time off work due to a non-work injury, you:

- may choose whether to pay sick or annual leave so your employee is not disadvantaged financially in the first week
- need to provide ACC with an ACC3 Employee Earnings Certificate to enable ACC to start paying weekly compensation to the employee from the second week onwards.

What employees are entitled to if injured

Employees are entitled to receive assistance from ACC towards the cost of their medical treatment and recovery. They may also be entitled to payment for lost earnings if they need time off work.

If the worst happens, ACC can also provide a funeral grant, a survivor's grant and weekly compensation for the employee's family.

IRD Penalties

The good news here is if you're using SmartPayroll to pay your employees and to act on your behalf as your IRD PAYE Intermediary (ie file your IRD return) you will never incur any penalties - guaranteed.

Non compliance

The penalties for non-compliance are $20,000 for companies and $10,000 for individuals.

Late filing penalty

A late filing penalty is imposed for each employer monthly schedule (IR348) IRD received late. IRD will send you a statement advising you of the late filing penalty and the due date for paying it.

Late payment penalties and interest are also charged on late filing penalties which are not paid by the due date.

Payroll solutions

Non-electronic filing penalty

Employers who must file their Employer monthly schedule (IR348) electronically and fail to do so in the required format may be charged a non-electronic filing penalty.

Late payment penalties

If you send in a payment after the due date, you will be charged a late payment penalty on the day after the due date.

Shortfall penalties

Shortfall penalties apply to certain offences, including failing to deduct PAYE or failing to pay PAYE deductions to Inland Revenue.

Penalty notice

If a payment is late, and the penalty is not paid, IRD will send a separate notice showing the penalty charged.

A good payroll program ensures you always have correct records.

It gives you some protection if you're involved in an employee dispute of any kind. It also means you're doing what you're supposed to by law.

What to consider when choosing a payroll system:

- What's it going to cost me?
- Is it easy to use? How long will it take me to do the payrun?
- Will it suit my business?
- Are there adequate records and reports (ie payslips, leave balances, etc)?
- What if there are changes to legislation – will I have to pay for any upgrades?
- Do I have to pay an annual license fee?
- Is there a helpdesk I can call when I need help? Will that cost me extra?

The benefits of using SmartPayroll

1. Firstly you'll be impressed how super easy it is. There are only four steps:

   Log in
   Enter the hours
   Click process
   Print or email payslips

2. SmartPayroll uses Datacom to act on your behalf as your PAYE intermediary with the IRD.
3. PAYE, KiwiSaver (deductions and employer contributions), student loans, holiday allowances and all other deductions are paid automatically each time you process a pay.
4. You'll always have the latest version - any changes to legislation are updated automatically. You don't even have to think about it and it's free.
5. Best of all we're never more than a phone call away if you get stuck - phone 0800 10 10 38.

Helpful websites

If you want to know more check out the following websites which go into more detail:

SmartPayroll:
www.smartpayroll.co.nz — 0800 10 10 38

IRD:
www.ird.govt.nz — 0800 227 774

Deptartment of Labour:
www.dol.govt.nz — 0800 20 90 20

ACC:
www.acc.co.nz — 0800 222 776

Answers to common questions

It's my employee's first week. Do I have to pay him for the public holiday?
It may not seem fair but if his official start date was before the holiday yes you do. If the holiday is on the Monday and he started on Tuesday, the day after the holiday then no you don't.

What if my employee is on annual leave, then he tells me he was sick over the holiday. Do I have to record that day as annual or sick leave? How do I know he was sick?
If you're convinced he was genuinely sick while on leave then you can decide to record it as a day's sick leave, which means he keeps the day's annual leave to take another time. It's up to you if you want to give him the benefit of the doubt or ask for a medical certificate.

You can ask for proof of sickness within three consecutive calendar days (without needing to have formed a reasonable suspicion regarding misuse of sick leave). But you must inform the employee that proof is required as early as possible and must meet the employee's reasonable expenses in obtaining the proof.

My employee was rostered on to work on the public holiday, he came in to work and then went home again saying he was sick. How should I pay him for that?
Pay him Time & a Half for the hour(s) he was at work. The rest of the day can be taken as sick leave if he has any. He also gets an Alternate Public Holiday earned that he can take later on (a Lieu day).

My employee wants to take his holidays when we're really busy in the year. Do I have to let him take leave whenever he wants?
No, your employee has to fit in with you. Employees are entitled to take four weeks' holiday per year (after a year's employment) but you can specify when that leave is taken. You should try to come to an agreement about the best time to take the leave, but if you can't agree remember that you're the boss and the company is more important than his girlfriend's uncle's wedding in Fiji.

I employed my worker as a casual employee and paid him his 8% holiday pay on top of his wages each week. Is that OK?
Yes but this can be a tricky one. You have to be careful because if you left him on "casual" status after one year's employment he would be eligible for four weeks' holiday. If he started as a casual worker but he's still there after six months is he really casual? If he's working more regularly now then you should change his status to part-time or full-time and let him start accruing leave.

I have suspicions that my employee is dishonest. I want to terminate his employment but I don't know how to do this without any proof.
A word of caution... even if you're sure your employee has stolen from you, don't do anything without seeking professional advice. You can't terminate an employee because you *suspect* they are dishonest without possible legal repercussions. Also you can't take away their holiday pay as payment for anything stolen. It's very important you seek legal advice about this rather than taking matters into your own hands. Call the ECCC (Employment Advice) on 0800 800 362. They have legal experts that can help and won't charge for the first call.

I don't want to pay my employees' PAYE tax. I want to pay them as contractors and let them pay their own tax. Can I do that?
This can be a real trap for employers. IRD has strict guidelines on what constitutes an employee or contractor. Sign up to a good payroll programme like SmartPayroll and keep it legal!

Useful forms

>

Application for leave

Overtime

Timesheet

Expenses claim form

Application for leave

Name	
Type of leave	☐ Annual ☐ Sick ☐ Lieu
Number of days	
From	
To	
Signature	
Approval	
Date	

Overtime timesheet

Employee's name	
Timesheet for week ending	
Prefer time in lieu	
Prefer overtime pay	

	Overtime hours worked From	To	**Total overtime hours worked**	**Reason**	**Manager's initials**
Monday					
Tuesday					
Wednesday					
Thursday					
Friday					
Saturday					
Sunday					

Timesheet

Employee's name	
Timesheet for week ending	

	Time on duty From	To	Hours worked	Overtime	Manager's initials	Remarks
Monday						
Tuesday						
Wednesday						
Thursday						
Friday						
Saturday						
Sunday						
Total Hrs						

Expenses claim form

Name	

Date	Description	Amount
	Reimbursement Total	

Please attach all receipts

With a little help from Westpac, Bakeworks is growing.

There's one thing for sure, Kirsten Unger and Dave Harris are two smart cookies. They've always been totally focused on the rise of their little gluten-free baking empire, Bakeworks.

Started ten years ago in the back of a health food shop, Bakeworks used to bake just ten loaves a day. Today, they turn out 1,500 loaves, as well as a scrumptious range of gluten-free cookies. And if there's one person who knows the recipe for their success, it's Westpac Business Manager, Donna Neville.

When Kirsten and Dave first moved their business to Westpac they knew they wanted to expand, but they didn't know how. So Donna spent time getting to know them and came up with a plan – finance for a cookie-cutting machine and an overdraft to give them room to move. Basically, for Bakeworks Donna's the best thing since sliced bread.

To find out how we can help your business grow too, give us a call on 0800 177 100 or visit westpac.co.nz/grow and we'll send one of our famous Business Managers to spend some time with you.

SmartPayroll

www.smartpayroll.co.nz

0800 10 10 38