

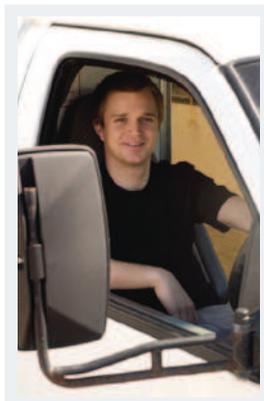
BUSINESS TAX UPDATE

Inland Revenue's tax news for businesses

Issue No 6 • March 2010 • IR 381

Reimbursing staff for motor vehicle expenses

We've been asked to clarify what mileage rates you can use, the employee criteria for shareholder-employees and whether there's a 5,000 km limit.



When reimbursing staff, including shareholder-employees, who use their own vehicle for work, you can use:

- our current mileage rate of 70 cents per km
- rates published by other reputable sources, eg, New Zealand Automobile Association mileage rates, as long as they're a reasonable estimate
- actual costs (this is the amount your employee spent and provided receipts for).

Employee criteria for mileage rate

The meaning of "employee" includes a shareholder-employee of a close company who doesn't receive PAYE income payments.

Mileage rate over 5,000 km

Our mileage rate takes into account the purchase price of a vehicle and other expenses such as insurance, registration and running costs (including the cost of fuel, repairs and maintenance etc). The rate is based on average travel of 14,000 km a year and is intended for self-employed people whose business travel is 5,000 km or less each year.

The 5,000 km limit doesn't apply to reimbursing your employees but you'll need to check our rate is appropriate and is a reasonable estimate of your employee's costs.

If your employee's annual business travel is over 5,000 km our mileage rate may no longer be a reasonable estimate of your employee's expenditure as the costs that aren't running costs (eg purchase price) will have been recovered. You may need to use an alternative method to reimburse your employee for the excess kilometres.

For more information on mileage rates go to www.ird.govt.nz (keyword: mileage).

KiwiSaver small business survey

How much has KiwiSaver cost your small business?

In 2009 we asked small businesses about their costs for administering KiwiSaver. This was done as part of our small-business tax compliance cost survey and results are expected in May 2010.

We're now following up with employers who said in the 2009 survey that they'd changed their approach to remuneration because of KiwiSaver, and/or had a workplace superannuation scheme before KiwiSaver started on 1 July 2007.

The combined information from the 2009 and 2010 follow-up surveys will give us a complete picture of employers' KiwiSaver costs. This will help us:

- report to Government on KiwiSaver's impact on employers
- minimise employers' compliance costs in future initiatives.

The follow-up survey is being conducted in April–May 2010. If you're asked to take part, please take the opportunity to tell us about your KiwiSaver costs related to contributions, remuneration and workplace superannuation.



Inland Revenue
Te Tari Taake

Welcome to Business Tax Update

In this issue: mileage rate, KiwiSaver small business survey, income tax timetable, paying PAYE electronically, calculating PAYE in April, reducing printed publications, KiwiSaver start dates, ACC earners' levy increases, changes in horticulture and viticulture industries, IR 15S changed, child support deduction notices, and income verification.

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



REMINDERS

New secondary tax rate and extra pays calculation:

The new secondary tax rate of 12.5% and extra pays/lump-sum payments calculations are being introduced from 1 April 2010—check your payroll system is up to date.

Calculate your PAYE online at www.ird.govt.nz "Work it out", "PAYE/KiwiSaver calculator".

Changes to RWT rates and thresholds:

From 1 April 2010, RWT rates on interest will be aligned with recent changes to personal tax rates and the company tax rate.

If your business is paying RWT or receiving interest find out whether these changes affect you at www.ird.govt.nz "News and updates".

Remember to use the correct FBT rate:

If you file your FBT returns quarterly the single rate option reduced on 1 April 2009 from 64% to 61%.

Income tax timetable

April is the start of the new tax year. To help you anticipate those start-of-the-year tasks, here's a summary of some forms and returns we'll be sending out over the next few months.

During April	
<i>Tax credit claim form (IR 526)</i>	We'll automatically send the IR 526 to anyone who claimed for donations, childcare or housekeeper tax credits last year. When making a claim you must attach receipts. If you or your employees haven't received a form by the end of April you can download one from www.ird.govt.nz (keyword: ir526).
During May	
<i>Summary of earnings (IR 544)</i>	We'll send an IR 544 to anyone who has been sent a tax return and also received salary, wages or schedular payments.
<i>Individual tax return (IR 3)</i>	You need to complete an IR 3 if you receive income from self-employment, a rental property, schedular payments, a partnership, or other income that hasn't had tax deducted. You'll automatically get one if you filed a return last year. If you don't receive one, or you now need to file, call us on 0800 377 774.
During July	
<i>Personal tax summary (IR 537) and (IR 538)</i>	We'll automatically send an IR 537 and IR 538 to anyone whose only income is from salary and wages and we think they need an end-of-year tax square-up.

Paying PAYE electronically

If you file your employer monthly schedule (EMS) and pay your PAYE online you'll soon stop receiving a paper *Employer deductions (IR 345)* form in the mail. Instead, you can complete your employer deduction form (EDF) online. It will be pre-populated and quick to complete.

Due dates remain unchanged. You can remind yourself of due dates for filing and paying by going to www.ird.govt.nz/calendars-dates

If you file your EMS online but pay your PAYE by cheque, you'll continue to receive a paper IR 345. If you'd like to file online you can view a demonstration to help you get started at www.ird.govt.nz "Secure online services".

Calculating PAYE in March–April 2010

There are new PAYE rates effective from 1 April 2010. Here's a summary and examples of how to calculate PAYE for pay periods during March and April.

Pay periods ending before 1 April but paid after 1 April

Calculate your PAYE at the old rate but include it on your April 2010 *Employer monthly schedule (EMS/IR 348)*.

Pay periods for one month or less that include 1 April

Calculate PAYE at the new rate and include it on your April 2010 EMS.

Pay periods longer than one month that include 1 April

You'll need to tax income relating to the pay period before 1 April at the old rate and income relating to pay periods after 1 April at the new rate. Include all details on your April 2010 EMS.

Example

If your employees work the week 22–28 March 2010, calculate PAYE for the period from 1 April 2009 to 31 March 2010—even if you pay your employees in the first few days of April.

Use our PAYE calculator to calculate your PAYE, go to www.ird.govt.nz "Work it out", "PAYE/KiwiSaver calculator".

Reducing printed return guides and PAYE tables

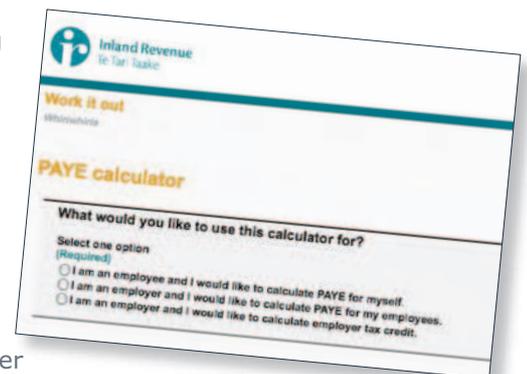
We're reducing the amount of paper we send. If you file income tax returns your April 2010 taxpack will have one copy of each return and guide rather than two.

You can file your 2009 IR 3, or print an *Individual tax return (IR 3)*, by going to www.ird.govt.nz (keyword: ir3).

We're also no longer sending out annual PAYE tax tables to employers and payroll intermediaries.

Instead, an easy way to calculate your PAYE is to use our PAYE calculator. Go to www.ird.govt.nz "Work it out", "PAYE/KiwiSaver Calculator".

If you want to view or print our most up-to-date PAYE tables (the IR 340 and IR 341) go to www.ird.govt.nz (keywords: ir340, ir341).



KiwiSaver rules around start dates

From October 2009 new legislation limits the backdating of your liability to pay compulsory employer contributions (CEC) where you had previously not made deductions. There's also a new rule on backdating member tax credits (MTC).

Backdated start date for CEC

If you receive a notice to make KiwiSaver employee deductions *within* 12 months (or before they cease in that 12-month period) of your employee starting, your CEC is backdated to the day your employee commenced employment.

If you *don't* receive a notice to make deductions within 12 months of your employee starting (or before they cease in that 12-month period) your CEC can only be backdated to the day before you receive the notice, not the start of their employment.

Backdated start date for MTC

Your employee can ask us to backdate an MTC entitlement where the deduction of KiwiSaver contributions was delayed because of circumstances outside their control, eg, a payroll system error.

Change to RWT on interest reconciliation statement

We've made a change to the *RWT on interest reconciliation statement (IR 15S)*. The returns won't have a carbon copy so you'll need to take a copy for your records.

If you're not doing so already, you can complete your IR 15S online. Go to www.ird.govt.nz (keyword: ir15s). Remember to print a copy of the return for your records.

Child support deduction notices

If you have employees who have child support deducted from their salary or wages, you'll receive a new *child support deduction notice* in mid-March to start deductions from their first pay in April. The new notice will tell you when and how much to deduct for each employee.

If you don't receive a new notice for your employee, please continue to deduct at the existing rate.

ACC earners' levy increases 1 April 2010

The ACC earners' levy will increase from \$1.70 to \$2.00 (including GST) per \$100 of liable earnings from 1 April 2010.

Legislation changes in horticulture and viticulture industries

In the December issue of *Business Tax Update* we let you know about legislation changes coming up for the horticulture and viticulture industries. If you missed that issue here's a reminder of the changes.

From 1 April 2010, payments made to any type of contractor (individual, partnership, trust or company) in the agriculture, horticulture or viticulture industries are subject to tax being deducted from schedular payments if the work or service is provided:

- under a contract or arrangement for the supply of labour, or substantially for the supply of labour, and
- in connection with land that is intended to be used for the cultivation of fruit crops, vegetables, orchards or vineyards.

The requirement to have tax deducted from the schedular payments does not apply to work or services by a:

- post-harvest facility
- management entity under a formal management agreement under which the entity is responsible for payment for the work or services provided.

For more information go to www.ird.govt.nz (keyword: horticulture).

Income verification

We have a new online option for employees who need to verify their income.

Your employees can print their salary and wage earnings by going to www.ird.govt.nz "Secure online services".

They'll need to register first, and then they can view their balances and transactions and get earnings information at www.ird.govt.nz "Look at account information".

Tax agent returns due soon

If your tax agent files your income tax return, the due dates for filing and paying for the 2009 tax year are fast approaching.

Your agent needs to file your return by 31 March 2010 and your income tax payment is due on 7 April 2010.

