

PAYE filing is changing

The tax system is changing to make it simpler and faster for you to meet your business tax obligations. Improving how you manage your PAYE is an important part of this.

Improving the administration of PAYE to benefit businesses and employees

Currently, your employees' income information is reported to us monthly. This means the information we have to calculate customers' tax obligations and entitlements they receive from the Government is often out-of-date and doesn't accurately reflect their current financial situation.

In 2018, the Government passed legislation that will save businesses time and make sure we receive more timely and accurate information for calculating customers' tax and entitlements. This aims to give New Zealand families more certainty about what support they're entitled to and what their payment obligations are.

Employers and payroll intermediaries will be required to submit employment information every payday instead of monthly. This replaces your:

- *Employer monthly schedule (IR348)* if you use ir-File, or
- *Employer schedule (IR348)* if you're a paper filer.

Payday filing – key points

- Payday filing is voluntary from 1 April 2018 and mandatory from 1 April 2019. Start reviewing how you'll make payday filing part of your payroll processes before this becomes a requirement.
- You'll also be required to request address details for new employees, as well as their date of birth, and then provide that information to us if the employee supplies it.
- If your PAYE/ESCT (employer superannuation contribution tax) is \$50,000 or more a year, you'll have to file electronically through software or myIR from 1 April 2019. If it's less than \$50,000 a year, you can payday file on paper if you choose, but only from 1 April 2019.
- PAYE payment dates and methods of payment remain the same, but you no longer need to file *Employer deductions (IR345)* – we'll use the employment information you file to allocate your payment directly.
- When you begin payday filing, you will no longer file an IR348. You'll begin payday filing from the beginning of the month, because your final IR348 must cover a full month. Until you begin payday filing, continue to file your IR348 as usual.

Filing options

Increasingly employers are using software to manage their tax filing. Research shows that using technology such as software in business is reducing compliance costs. There are three different options for electronic payday filing – here's how to get started:

1. Direct from software (if supported by your software provider). This service lets businesses file their payroll information without having to upload the file in myIR. You don't need to do anything to elect to use payday filing.

Start using either of the following two options by opting in through myIR:

2. Upload to myIR in the Payroll returns account (if supported by software provider).
3. Onscreen in myIR in the Payroll returns account.

You can opt in under 'I want to' in the 'My business' section of myIR.

If you are filing electronically (either through software or myIR), you have to submit employment information within two working days of paying your staff, or within ten working days from 1 April 2019 if you're a paper filer. There is a twice-monthly filing option for those who submit their employment information on paper.

There are exceptions for IR56 taxpayers, schedular payments, out-of-cycle payments and Employee Share Scheme payments – check our website for more information.

Payday filing gives you more time to spend on your business – an example

Awhina owns a small restaurant and until recently had just three employees. A new '2 for 1' dinners promotion was such a success that Awhina had to employ two new part-time employees.

Awhina used to file her PAYE information on paper, but found it difficult to keep on top of all the paperwork as well as managing a larger team. She was worried she wouldn't be able to stay on top of her filing obligations, so decided to use payroll software and start payday filing.

Awhina pays her staff weekly by direct credit and the system automatically sends payment instructions to the bank. Now she finalises her payroll weekly and the payroll system prompts her to file the PAYE information directly to us without having to leave the system.

One feature that Awhina really likes is not having to keep each week's paperwork and try to remember to complete and send the employer monthly schedule to Inland Revenue at the end of the month.

Awhina now finds her payroll more straightforward. She never forgets to file her PAYE information, and doesn't lose track of paperwork. She has extra time to think up new promotions to grow her business.

What to do next

- Start thinking about how you'll make payday filing part of your payroll processes before it becomes compulsory in April 2019.
- Talk to your payroll software provider about when they will offer the software you need. We are working with the software industry so that more providers will offer payday filing by the time it becomes compulsory.
- If you use an in-house payroll system, make sure your IT team is aware of what's changing in April 2019.

For more information go to www.ird.govt.nz/payday



www.ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** to manage your tax and entitlements online.
- **Demonstrations** - learn about our services by watching short videos.
- **Get it done online** - complete forms and returns, make payments, give us feedback.
- **Work it out** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

Forgotten your myIR user ID or password?

Request a reminder of your user ID or reset your password online. You'll need to know your IRD number and have access to the email address we hold for you.

FREE ADVISORY SERVICE

Our community compliance officers run free tax seminars and workshops for new businesses and organisations. For more information or to register to attend one of these sessions go to www.ird.govt.nz (search keyword: seminar) or phone 0800 377 774.

[New Zealand Government](http://www.ird.govt.nz)