

Fact sheet: Parental leave — if you are self-employed

Parental Leave — Advice for the Self-Employed

A self-employed person is entitled to 26 weeks' government funded parental leave payments when they are having a baby or taking on the permanent care of a child under the age of six years, provided they meet the eligibility criteria.

See the table at the end for more information on eligibility.

Calculating your payment level

The payment will equal your average weekly income over the last 6 or 12 months, up to a maximum of \$712.17 per week before tax (applying from 1 July 2023).

Your average weekly income can be calculated as follows:

$\frac{\text{Net Income Over 6 Months (26 weeks)}}{26}$	OR	$\frac{\text{Net Income Over 12 Months (52 weeks)}}{52}$
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You have the choice as to whether to use the 26 weeks or 52 weeks calculation. Determine the best option based on your individual circumstances.

The number of weeks used to divide your net income will be reduced, if during the last 6 or 12 months you have been:

- receiving ACC payments
- on parental leave
- unable to work due to other circumstances.

If you have made a loss or earned less than the minimum wage for at least 10 hours' work a week you will be entitled to the equivalent of 10 hours a week at the highest rate of the current minimum wage. This payment will be \$227 per week before tax.

Spouse/partner entitlement — can parental leave be shared?

The initial entitlement to paid parental leave lies with the mother or primary carer of the child. However, if responsibility for looking after the child is to be shared, you can transfer this entitlement in whole or part to your spouse or partner if they are also eligible for paid parental leave as either a self-employed person or as an employee.

Where your spouse is an eligible employee, they will then also have an entitlement to unpaid parental leave from their workplace. A spouse or partner who is eligible for unpaid parental leave as an employee must apply to their employer for this.

A full summary of all paid and unpaid leave entitlements is available from the Employment New Zealand website.

Applying for paid parental leave

As a self-employed person, you decide the date your parental leave will commence and the date of your return to work. You do not have to take the full 26 weeks' leave, but you can only receive parental leave payments for the period you are away from your business. No special paperwork is required to record the period of your leave, but you do have to take an actual break away from your business.

Paid parental leave is administered through Inland Revenue and you apply to it for payments. It is not easy to change your dates once you have applied to Inland Revenue. It is important to consider carefully:

- when you are going to take your leave and

- if and when any leave will be transferred to your spouse/partner.

You can apply for paid parental leave before the date your parental leave commences or at any time while you're on leave. You must however apply for the payments before you return to work or cease your self-employment. See the table at the end of this paper for the steps involved in applying.

Payments from Inland Revenue

Inland Revenue will pay the parental leave payments directly into your bank account or alternatively your spouse's or partner's account (from the date of transfer when any part of the entitlement has been transferred to your spouse or partner). Payments are made fortnightly.

The payments are treated as income and, where relevant, tax and student loan deductions will be taken out at the rate applicable to you or your spouse or partner (where entitlement has been transferred).

What if my baby comes early?

If your baby arrives pre-term, you may be eligible for preterm baby payments. These are available for up to 13 weeks and are paid at the same rate as the parental leave payment. You can apply for preterm baby payments through Inland Revenue in the same way and on the same form as applying for the parental leave payment. If you receive preterm baby payments, your parental leave payments will stop and then start again when your preterm payments end (as long as you haven't used up all of your 26 weeks' parental leave payments and you still qualify).

Keep in mind

You may be eligible for both paid parental leave and the Best Start tax credit. However, you cannot receive both at the same time. For most people, paid parental leave payments will be higher than the Best Start tax credit, but you can apply for Best Start once the parental leave payments cease. You may also be eligible for some other form of family assistance.

It may also be that you can apply for paid parental leave as both a self-employed person and an employee.

Given how many options are available, we suggest that you discuss your circumstances with us to achieve the best possible outcome for you. We can also assist you to complete all the necessary application forms and declarations required by Inland Revenue.

Eligibility requirements for self-employed people for paid parental leave

To be eligible for paid parental leave as a self-employed person you must:

- meet the definition of self-employed
- have been self-employed for an average of 10 hours a week for any 26 of the 52 weeks immediately preceding the due date or assumption of care
- be taking parental leave from self-employment to care for the baby or child

What does 'self-employed' mean here?

You must have been:

- providing goods or services under a contract for services
- carrying on a business (e.g. a profession, trade, manufacturing, something carried on for profit), including being in partnership with another person, or
- working for a trust in a business carried on by the trust

How long should I have been in work for?

Before the due date or assumption of care you must have been self-employed for an average of 10 hours a week for any 26 of the 52 weeks immediately preceding it.

Whether you have been self-employed for 6 months or 12 months, you are equally entitled to 26 weeks' paid parental leave. However, the level of payment can differ depending on whether your average income is

determined over 12 or 6 months' self-employment.

What if I do more than one job?

You can be doing more than one type of work when you are self-employed e.g. gardening and beekeeping.

The hours worked across the jobs you work must add up to at least an average of 10 hours per week over any 26 of the 52 weeks before the date the child came into your care.

However, you can't combine work you have done as an employee and in self-employment to meet the minimum 10 hours (e.g. if you worked for only 5 hours per week for an employer and 5 hours in self-employment you won't qualify for PPL).

But what will happen to my business?

You must be taking parental leave from self-employment to care for the baby or child. However, you will still be able to:

- oversee your business, or do occasional administrative tasks to ensure the continuity of your business
- receive income that was earned prior to the start of your leave, and
- receive income from work undertaken by other people in your business

Keeping in touch with your business will not affect your parental leave payment. However, if you return to working regular hours for your business or cease self-employment before the 26 weeks payment period is over, your entitlement to parental leave payments will end.

How to apply for paid parental leave

Apply on the Inland Revenue website on myIR.

Who	Completes	What
the mother or primary carer in some cases, the mother or primary carer, witnessed by a JP or other authorised person		the application on myIR the statutory declaration

You will need:

- your myIR logon details
- your tax code
- your bank account number
- evidence from your lead maternity carer of your due date or the baby's date of birth

Are you going to share the leave with your spouse/partner?

If you want to transfer some or all the entitlement to your spouse or partner complete the transfer request in myIR.

You will need your paid parental leave entitlement start date and your partner's:

- IRD number
- date of birth
- full name

Once your application has been processed, Inland Revenue will notify you of your entitlement to paid parental leave, how much you will receive and when you will receive the payments.

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Important: Clients should not act solely on the basis of the material contained in this article. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This article is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.