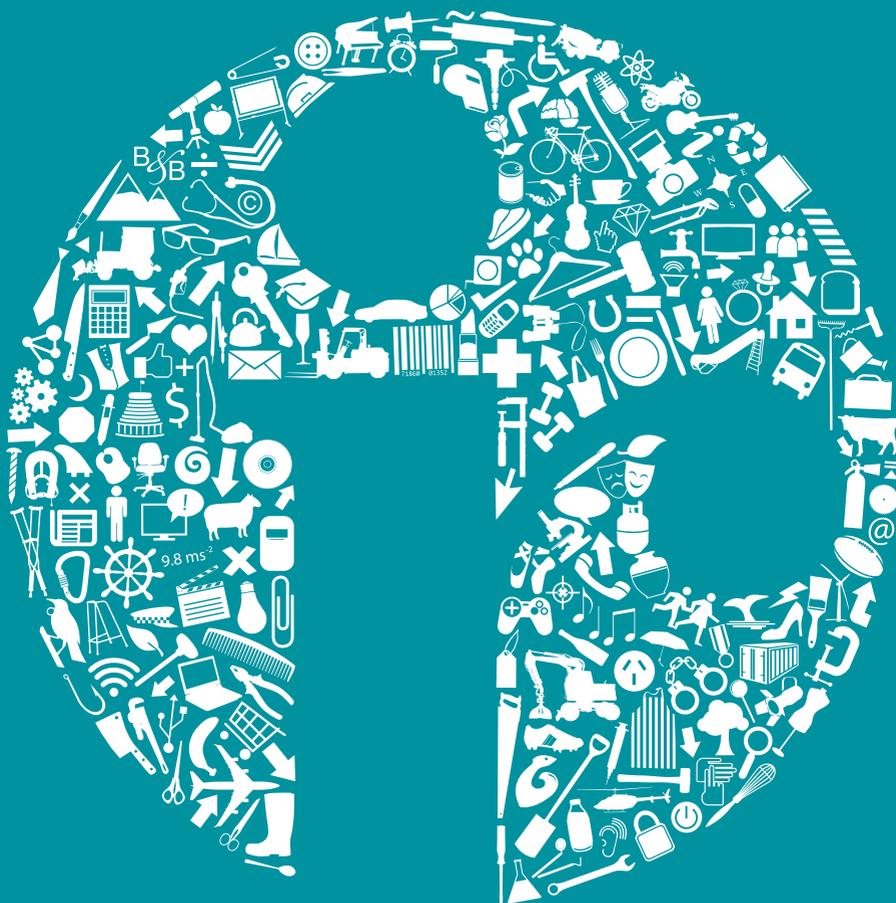


# First-time employer's guide

Information you'll need if you're thinking of employing workers for the first time



**Inland Revenue**  
Te Tari Taake

IR 333  
February 2014

# Contents

---

About this guide	3	<p>This guide is A5 and can be economically printed two pages per A4 sheet. If you're printing from a downloaded PDF, check the layout settings in your printer options to achieve this.</p> <hr/>
Why paying tax matters	3	
Are you an employer?	4	
What sort of workers do you have?	4	
Employees	5	
Workers receiving schedular payments	5	
Self-employed contractors	5	
IR 56 taxpayers	6	
Volunteers	6	
How to register as an employer	7	
Now you've registered, let's get started	8	
Deductions you need to make	9	
PAYE (pay-as-you-earn)	9	
Student loan and child support deductions	9	
KiwiSaver	10	
Employer's superannuation cash contribution (employer contribution)	11	
Payroll giving	12	
Fringe benefit tax (FBT)	12	
How you calculate deductions	13	
Forms you need to complete and send to us	14	
Filing your forms and paying deductions to us	15	
Filing online using ir-File	15	
Terms we use	16	
How to contact Inland Revenue	18	
Privacy	18	
Inland Revenue's services	19	

---

The information in this guide is based on current tax laws at the time of printing.

---

# About this guide

---

This guide takes a brief look at what you have to do when you decide to employ workers.

It also tells you how to register with Inland Revenue as an employer.

---

This guide covers:

- different types of workers
- when and how to register as an employer
- deductions you need to make
- how and when to file employer returns
- a glossary to help you understand the tax terms we use.

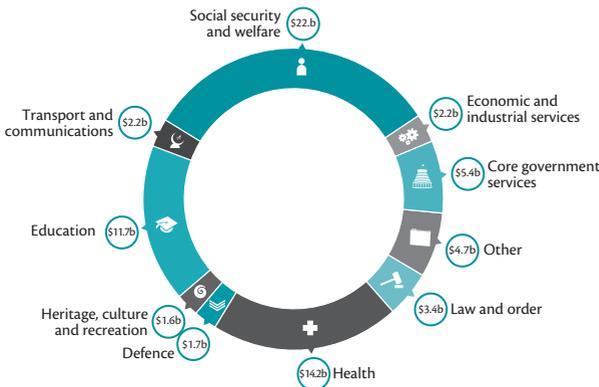
# Why paying tax matters

---

Everyone who earns money in New Zealand must pay their share of tax. Here's how the Government spent our taxes in 2011–12.

The government uses taxpayers' money to pay for services we all need.

---



# Are you an employer?

---

The following table shows you each type of worker, and whether you need to register as an employer, make deductions and keep records.

You'll find a list of the tax terms we use on page 16.

---

Type of worker	Register as an employer?	Make deductions?	Keep records?
Employee	✓	✓	✓
Workers receiving schedular payments	✓	✓	✓
Self-employed contractors	✗	✗	✓
IR 56 taxpayers	✗	✗	✓
Volunteers	✗	✗	✓

## What sort of workers do you have?

---

It's important you know whether the people who work for you are your employees or whether they're self-employed, because this will determine whether you need to register as an employer and make deductions.

Deductions can include pay-as-you-earn (PAYE), student loan, child support, KiwiSaver and employer's superannuation contribution tax (ESCT). See more information on deductions on page 9.

Our guide *Self-employed or an employee? (IR 336)* will help explain the tax differences between the two. You can find this at [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: IR336).

---

## Employees

An employee is someone who works for you and you determine when, where and how they do their work.

You need to make deductions from payments you make to employees.

## Workers receiving schedular payments

Some workers are employed under a contract for services and receive schedular payments. The types of work covered by schedular payments are on the back page of the *Tax code declaration (IR 330)* form. These workers will use the WT tax code.

You need to deduct tax from payments you make to workers receiving schedular payments, unless they have a certificate of exemption. You don't need to make any other deductions like KiwiSaver or student loan deductions from their pay—this is their responsibility.

## Self-employed contractors

Self-employed contractors are workers who don't receive schedular payments and aren't employees. They control how they work, provide their own tools and invoice you for their services.

You don't need to make deductions from payments you make to self-employed contractors, but you must still keep records of the person or company and how much you paid them.

---

Common types of schedular payments are honoraria, and payments made to models, company directors and entertainers.

---

For more information about workers with a certificate of exemption read our *Employer's guide (IR 335)*.

---

Common types of self-employed contractors include mechanics and plumbers.

---

## IR 56 taxpayers

The term “IR 56 taxpayer” is used to identify workers who are responsible for paying their own tax, but are not self-employed contractors.

The most common IR 56 taxpayers are private domestic workers, who work part-time, eg:

- home-helpers
- caregivers
- nannies
- gardeners
- domestic odd-jobbers.

You don’t take deductions from any payments you make to them, but you must still keep records of the person and how much they were paid.

## Volunteers

A volunteer is someone who works voluntarily and doesn’t get paid for it.

Even though you didn’t pay them, you should keep records of the person who volunteered and when they worked.

---

For more information on IR 56 taxpayers, read our guide *IR 56 taxpayer’s handbook (IR 356)*.

---

# How to register as an employer

---

If you've now decided you're an employer, you must register with Inland Revenue as soon as you start employing. If you know in advance that someone will be working for you, you can register before they actually start.

## Step 1: Get an IRD number

You need an IRD number to register as an employer. If you're an individual and want to start employing workers you can register as an employer under your own personal IRD number. If your business is a partnership, company, trust or other organisation, and doesn't already have an IRD number, you'll need to apply for one using an *IRD number application – non-individual (IR 596)* form.

---

Companies can automatically apply for an IRD number, and register as an employer, when they register with the Companies Office.

---

## Step 2: Complete an *Employer registration (IR 334)* form

You can register as an employer online at [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: IR334).

If you don't have access to the internet, you can call us on 0800 257 773 and we'll post you the IR 334.

You'll receive a confirmation letter and an employer pack within 10 working days of registering. The pack tells you what you have to do and by when.

## Now you've registered, let's get started

---

Make sure new employees and workers receiving schedular payments fill in a *Tax code declaration (IR 330)* form. The IR 330 will tell you what rate of tax to deduct from their salary or wages and any other deductions to make, eg, student loan.

If your worker doesn't give you a completed IR 330 that includes their IRD number, you must deduct tax at the no-notification rate. For employees it's 45 cents in the dollar. For workers receiving schedular payments it's generally 15 cents in the dollar on top of their normal tax rate.

When you start employing, you'll need to start a record-keeping system. Records need to be kept in New Zealand for seven years. These include:

- wagebook information
- PAYE payment receipts
- completed IR 330 forms
- letters from us asking you to change your employee's tax code.

See our *Employer's guide (IR 335)* for a full list of the records you need to keep.

---

[Read our \*Employer's guide \(IR 335\)\* for information on record keeping and a wagebook example.](#)

---

# Deductions you need to make

---

You need to make deductions from payments made to employees and workers receiving schedular payments. Self-employed contractors and IR 56 taxpayers don't have tax deducted.

## PAYE (pay-as-you-earn)

As an employer, you must deduct PAYE from all payments you make to people working for you. The amount you deduct will depend on the code the employee puts on their *Tax code declaration (IR 330)* form.

Some employees may have a special tax code which tells you to deduct PAYE at a different rate.

Workers receiving schedular payments (WT tax code) have a flat rate of tax deducted.

---

For employees, PAYE is made up of tax and ACC earners' levy (which covers the cost of non-work related injuries).

---

---

For more information on special tax codes read our *Employer's guide (IR 335)*.

---

## Student loan and child support deductions

For employees, in addition to the PAYE you deduct from their wages you may also need to make deductions for student loan and/or child support.

Some of your employees will use a tax code with "SL" on the end, eg, M SL or S SL. This means they'll need to have student loan deductions made from their salary or wages together with PAYE.

If anyone working for you needs child support deducted from their salary or wages, we'll send you a child support deduction notice. It will tell you how much to deduct each pay because this depends on their personal circumstances.

## KiwiSaver

KiwiSaver is a voluntary, work-based savings scheme to help New Zealanders save for their retirement. KiwiSaver is open to all New Zealand residents and people entitled to live here permanently, who are under the age of 65.

You'll need to give each new employee a copy of *Your introduction to KiwiSaver – employee information (KS 3)*. If your employees decide to enrol in KiwiSaver, you'll need to make deductions from their gross salary or wages at their chosen rate (3%, 4% or 8%). You're also required to contribute a minimum 3% to their KiwiSaver account. These are called compulsory employer contributions.

All KiwiSaver deductions need to be paid to us at the same time as PAYE and any other deductions.

You shouldn't give financial advice to your employees. If they have questions about their KiwiSaver options, tell them to talk to an independent advisor or go to the "Sorted" website at [www.sorted.org.nz](http://www.sorted.org.nz)

For more detail about your KiwiSaver employer responsibilities, employee enrolment criteria and deductions, see our *KiwiSaver employer guide (KS 4)*.

## Employer's superannuation cash contribution (employer contribution)

All contributions you make to your employees' superannuation funds, including KiwiSaver schemes and complying funds, need to have ESCT (employer's superannuation contribution tax) deducted.

The exception to this is if the employee and employer have agreed to treat some or all of the employer contribution as salary or wages under the PAYE rules.

Any other contributions that employers make to other funds are not liable for ESCT, but are liable for FBT (fringe benefit tax). These funds include:

- sickness, accident or death benefit funds
- life, pension, personal accident and sickness insurance policies
- an insurance fund of a friendly society
- funeral trusts
- superannuation schemes that aren't registered under the Superannuation Schemes Act 1989 or haven't had ESCT deducted.

---

For more information on ESCT and employer contributions read our *Employer's guide (IR 335)*.

---

## Payroll giving

Payroll giving is a voluntary scheme where employees can have donations made directly from their salary or wages to support approved donee organisations and receive an instant tax credit.

You can choose whether to set up payroll giving and how it will run. If you do, it's up to your employees whether or not they participate.

If you choose to set up payroll giving, you must send your employer returns to us online through ir-File.

For more information read our *Payroll giving (IR 617)* guide.

---

To see a full list of approved donee organisations go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keywords: donee organisations).

---

For more information on ir-File, see page 15.

---

## Fringe benefit tax (FBT)

FBT is a tax on benefits or perks that employees receive on top of their salary or wages. All employers who provide benefits must pay FBT.

The common types of fringe benefits are private use of work cars, low-interest loans, and free, subsidised or discounted goods or services.

If you don't intend to provide any fringe benefits, you need to select "No" on the *Employer registration (IR 334)* form. If you start providing fringe benefits later on, you'll need to tell us.

For more information about FBT read our *Fringe benefit tax guide (IR 409)*.

## How you calculate deductions

---

To calculate PAYE, student loan and KiwiSaver deductions, use our online PAYE/KiwiSaver deductions calculator at [www.ird.govt.nz](http://www.ird.govt.nz) “Work it out”.

The PAYE calculator doesn’t calculate the amount of child support to deduct. We’ll send you a child support deduction notice with the amount.

The calculator tells you exactly how much to deduct from your employees’ wages. You can personalise it for each employee, which makes it easier to keep deductions separate. You can download and/or print a copy of the results for your records.

If you don’t have access to the internet you can order printed copies of the *Weekly and fortnightly PAYE deduction tables (IR 340)* or *Four-weekly and monthly PAYE deduction tables (IR 341)*.

## Forms you need to complete and send to us

---

There are two forms you need to complete and send to us each month:

- *Employer monthly schedule (IR 348)*
- *Employer deductions (IR 345)*.

The *Employer monthly schedule (IR 348)* shows all the people who worked for you in the month, what they earned and what was deducted from their earnings. On the first IR 348 you do, you'll need to complete each employee's name, IRD number and tax code. This information will be shown automatically on your future schedules.

The *Employer deductions (IR 345)* form records the total deductions made from all your employees' pay and includes a payment slip.

---

File your employer forms online. It's secure, easy and fast. To register go to [www.ird.govt.nz](http://www.ird.govt.nz) "Register".

---

## Filing your forms and paying deductions to us

When and how to file these forms and pay your deductions depends on your gross annual PAYE (including ESCT).

Annual gross PAYE (including ESCT) under \$500,000	Annual gross PAYE (including ESCT) \$500,000 or more
<p>You have one due date for the month.</p> <p>You must pay the deductions and file your IR 345 and IR 348 on the 20<sup>th</sup> of the next month. Eg, deductions made in May are due 20 June.</p> <p>You can choose to file your returns online through ir-File (see below).</p> <p>However, if your annual gross PAYE (including ESCT) is \$100,000 or more you must file online through ir-File.</p>	<p>You have two due dates each month.</p> <p>20<sup>th</sup> of the same month for deductions made between the 1<sup>st</sup> and 15<sup>th</sup> of the month. The payments are due along with an IR 345 form.</p> <p>5<sup>th</sup> of the next month for deductions made between the 16<sup>th</sup> and the end of the month. These payments are due along with an IR 345 form.</p> <p>The IR 348 covers the whole month and is also due on the 5<sup>th</sup>.</p> <p>You must file your returns online through ir-File (see below).</p>

---

If the payment due date falls on a weekend or public holiday, you have until the next working day to pay.

---

If your payment is late, we may charge interest and possibly penalties. Read our *Penalties and interest (IR 240)* guide.

---

## Filing online using ir-File

ir-File is a secure service that lets you file your *Employer monthly schedule (IR 348)* and *Employer deductions (IR 345)* forms online through our website. Filing online is the most accurate and efficient way to send us your information.

To use ir-File, you'll need to register online for a myIR secure online services account. Go to [www.ird.govt.nz](http://www.ird.govt.nz) and click "Register".

---

You can use myIR to register for GST, file GST returns, change your bank account details and much more.

---

## Terms we use

---

ACC	Accident Compensation Corporation
ACC earners' levy	Money paid by employees and self-employed people to ACC to help cover the costs of non-work personal injuries.
Employee	Someone who works for you and you determine when, where and how they do their work.
Employer	Someone who hires workers.
ESCT (employer's superannuation contribution tax)	A tax on the monetary amount you contribute to your employee's KiwiSaver scheme.
Flat rate of tax	A rate of income tax that doesn't change with different levels of income, and doesn't include the ACC earners' levy.
FBT (fringe benefit tax)	A tax on benefits that employees receive from their employer as a result of their employment.
Gross salary or wage	The total amount of money the worker earns before deductions.
Income tax	A tax on income earned from salaries and wages.
Interest	Money either charged for unpaid tax, or paid for overpaid tax. Interest isn't a penalty—it's a charge for use-of-money.
ir-File	A secure online service that allows you to file your employer forms to us online.
myIR	A secure online service which lets you send us emails, register for and file GST returns, and update your contact information or bank account details.

PAYE (pay-as-you-earn)	A combination of income tax and ACC earners' levy deducted from an employee's salary or wages by an employer and paid to Inland Revenue.
Penalty	Money Inland Revenue charges when you don't keep to your tax obligations.
Salary	Earnings paid to your employee.
Schedular payments	Payments made to certain workers employed under a contract for services.
Self-employed	Someone who works for themselves and deals with their own taxes.
Tax code	A code specific to your employee that tells you what type of deductions to make and how much.
Wages	Earnings paid to your employee.
Wagebook	A book to record your employees' wage and deduction information
Worker	An employee, someone receiving schedular payments, self-employed contractor, IR 56 taxpayer or a volunteer.

# How to contact Inland Revenue

---

## How to get our forms and guides

You can view copies of all our forms and guides by going to [www.ird.govt.nz](http://www.ird.govt.nz) and selecting “Forms and guides”. You can also order copies by calling 0800 257 773.

## Need to talk to us?

You can call us on these numbers:

General tax, tax credits and refunds	0800 227 774
Employer enquiries	0800 377 772
General business tax	0800 377 774
Overdue returns and payments	0800 377 771

We’re here to take your call between 8 am and 8 pm Monday to Friday, and Saturday between 9 am and 1 pm (excluding child support calls). If you have an IRD number, remember to have it with you when you call.

For more information go to [www.ird.govt.nz/contact-us/](http://www.ird.govt.nz/contact-us/)

## Privacy

---

Meeting your tax obligations means giving us accurate information so we can assess your liabilities or your entitlements under the Acts we administer.

For full details of our privacy policy go to [www.ird.govt.nz](http://www.ird.govt.nz) (search keyword: privacy).

# Inland Revenue's services

---

## myIR secure online services

Inland Revenue's online services make it quicker and easier to manage your tax and entitlements. Go to [www.ird.govt.nz/myIR](http://www.ird.govt.nz/myIR) to find out more.

## [www.ird.govt.nz](http://www.ird.govt.nz)

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

## Follow us on Twitter

Follow [@NZInlandRevenue](https://twitter.com/NZInlandRevenue) for regular tweets on a range of tax and social policy matters, including our most recent media releases, due dates and consultations.

## *Business Tax Update*

Get all your business tax news in one newsletter. Our *Business Tax Update*, available online only, gives you tax updates on payroll, GST, FBT and other relevant tax issues. Subscribe through the newsletter page at [www.ird.govt.nz/subscribe](http://www.ird.govt.nz/subscribe) and we'll send you an email when each issue is published.

## Language Line

Language Line is a phone-based interpreter service for Inland Revenue customers whose first or preferred language is not English. There are 44 languages available—see [www.languageline.govt.nz](http://www.languageline.govt.nz) for the full list. Whenever you need to talk to us you can ask for a Language Line interpreter and choose the language/s you feel most comfortable using. The service is free.

New Zealand Government