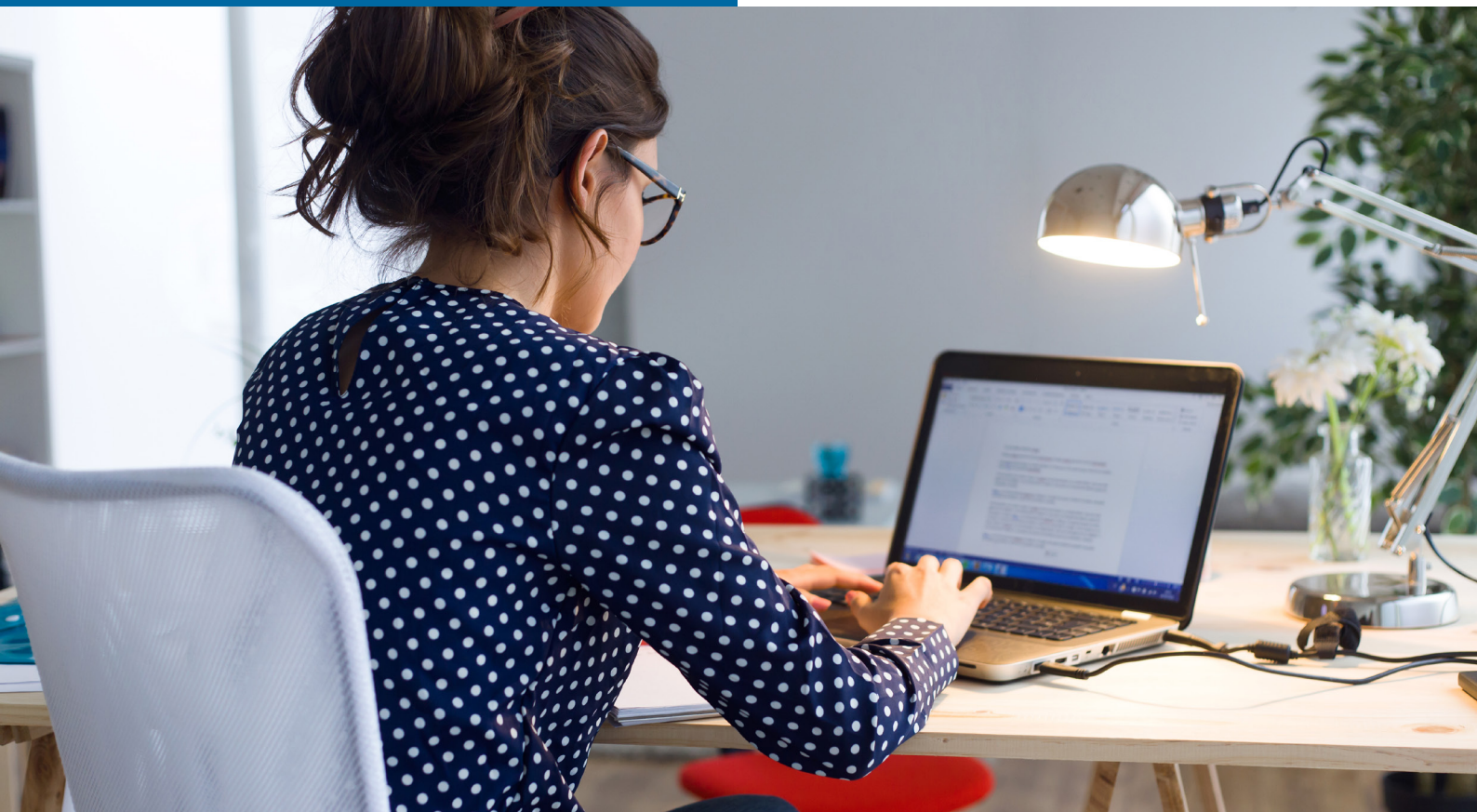


Payroll

A Practical Guide to New Zealand Payroll Administration 2018

PAYROLL QUESTIONS AND ANSWERS

How do recent law changes affect payroll administration?



PAYDAY FILING

Saddleback Company Limited manufactures and sells bird feeders and cages. Currently, the company pays its employees on a fortnightly basis and files the employer monthly schedule (EMS) electronically once a month. Nigel, who looks after the company's payroll, has heard about "payday filing". He learns that the current process of filing the EMS once a month will change and he may have to file more returns. Is Nigel correct?

Nigel is correct that the current process of filing the EMS once a month will cease under payday filing. Broadly speaking, this will mean that Nigel will have to file PAYE returns ("employment income information") with Inland Revenue fortnightly each time the company's employees are paid. Payday filing is compulsory from 1 April 2019, but employers can choose to adopt it earlier anytime from 1 April 2018. The idea behind payday filing is to make reporting employment information to Inland Revenue part of the payroll process rather than a separate activity that takes place after employees are paid. However, for some employers, this will mean an increased frequency in filing PAYE returns with Inland Revenue.

Note that the due dates for making PAYE payments have not changed under payday filing. There are also special rules for out-of-cycle and schedular payments.

INCREASE IN ELECTRONIC FILING THRESHOLD

Silvereye Limited operates a pet supply store. The company has three part time employees and one full time employee. Silvereye typically deducts PAYE of \$60,000 to \$70,000 each year. Sharon, who is a shareholder employee, is responsible for the company's PAYE and has always filed the employer monthly schedule with Inland Revenue once a month in paper form. She has heard that filing employment income information with Inland Revenue is set to change and that she may no longer be able to file returns in paper form. Is Sharon correct?

Sharon will have to file employment income information electronically with Inland Revenue under payday filing, unless she is granted an exemption. Broadly, the electronic filing threshold will reduce from \$100,000 of PAYE and ESCT per year to \$50,000 from 1 April 2019. As Silvereye Limited typically deducts more than \$50,000 of PAYE in a year it will have to file returns electronically unless the company is granted an exemption by Inland Revenue. An exemption will be granted if certain conditions apply. Electronic returns can be filed through payroll software or through Inland Revenue's myIR service.

KEY POINT: PAYE Filing and Record-keeping Requirements

If you are required to deduct PAYE, you must file regular schedules with Inland Revenue setting out the details of all employees, and the tax deductions made on their behalf. These schedules must be filed by the due date, otherwise penalties will apply. Certain employers must file the schedules electronically – Inland Revenue will impose a fine if this is not done.

More information on the new requirements for Payday filing including special rules for out-of-cycle and schedular payments, shadow payrolls and early adoption can be found in chapter 22 of *Payroll: A Practical Guide to New Zealand Payroll Administration 2018*.

DOMESTIC VIOLENCE LEAVE

A private medical care facility has been approached by one of the staff who has said that she has experienced domestic violence at home and has requested a period of leave to seek some professional assistance in dealing with her home situation. She has asked if this can be taken as additional paid leave not from her holiday pay or sick leave requirements.

Is there any obligation to provide an additional form of paid leave in this circumstance?

Yes, under the Holidays Act 2003, employees can seek such leave from 1 April 2019 onwards so long as they meet the same length-of-service criteria as are set for sick and bereavement leave (broadly speaking, they have been with the employer for six months).

To take leave this employee must be a person affected by domestic violence. She must either be the victim of domestic violence or reside with a child who is the victim of domestic violence. The violence



may have occurred in the past, even before she became employed with the employer. She can take up to ten days' leave once she has met the length-of-service criteria. Potential eligibility for a further ten days' leave accrues with every subsequent year of service but the leave entitlement cannot accumulate. Payment for domestic violence leave must be on the basis of the employee's relevant daily pay or average daily pay.

The medical care facility can ask for proof that she is a person affected by domestic violence.

KEY POINT: Holidays and Leave Entitlements

Calculating and documenting holidays and other leave entitlements under the Holidays Act 2003 is one of the most important aspects of payroll administration. The Holidays Act provides minimum entitlements; any attempt to contract out of the Act will be of no effect.

Holidays records can be inspected at any time, so they must be kept up to date and accurate.

More information on all holiday and leave entitlements relevant to Payroll, including the new requirements for domestic violence leave and extended paid parental leave are covered in the new edition of *Payroll: A Practical Guide to New Zealand Payroll Administration 2018*.

PAID PARENTAL LEAVE ENTITLEMENTS

A private investigation company employs a talented investigator (Julia) who wishes to take parental leave for the birth of her first child. Because she is a valued employee, the company is considering providing some additional form of paid leave over and above the payments made by the government while Julia is on parental leave. It wants to know what her entitlements for paid parental leave from the government are.

Given the intention to support her, presumably Julia has been employed with the company for some time. To be eligible for parental leave, she needs to have worked for the company for a minimum period of six months immediately preceding the expected date of delivery of the child for:

- no less than an average of 10 hours a week, and
- either at least one hour in every week during that period, or
- no less than 40 hours in every month in that period.

She is eligible to receive parental leave payment on the day she commences the parental leave.

Questions and answers on important payroll changes coming into effect

However, if Julia has been employed by different employers over the last six months, she will need to meet the parental leave payment threshold test. An employee meets eligibility requirements under that test where the employee has been employed (not necessarily by the same employer) for at least an average of ten hours a week for any 26 of the previous 52 weeks immediately preceding the expected date of delivery of the child. If Julia meets these criteria but not the minimum period with the same employer, she will not be eligible for parental leave and will have to ask the company for negotiated carer leave so that she can receive parental leave payment. The company can only decline this on certain grounds.

Paid parental leave was extended from 18 to 22 weeks from 1 July 2018.

If Julia wishes to do paid work for her employer for brief periods of time during her parental leave (including any extended leave she takes) without losing her entitlements, including her parental leave payment, she may now do so for up to 52 hours. These “keeping-in-touch” hours were increased from 40 hours from 1 July 2018.

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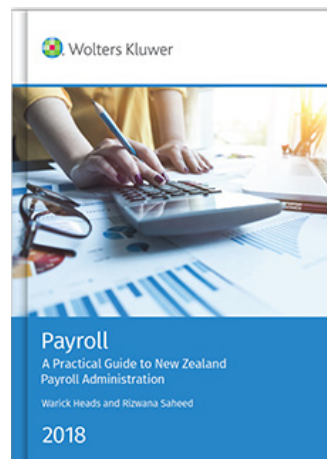
Covering every facet of payroll administration, this book provides an end-to-end process guide for the paying of staff and includes information on how to ensure that payroll is set up correctly and run efficiently.

It clearly explains the legal and tax issues relevant for payroll purposes.

Who should read this guide?

To keep on top of all the changes, the 2018 edition of *Payroll – A Practical Guide to New Zealand Payroll Administration* will ensure you have reliable and up-to-date information at hand to help you comply with your payroll obligations.

It is an invaluable resource for payroll administrators, HR personnel, business owners and advisors.



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