

Employer Newsflash

1st April Payroll changes

Three important changes to payroll come in to effect on April 1st. Did you know? Are you ready?

These changes will affect every single employee and employer so keep reading if you answer no to one or both of the questions above.

Kiwisaver

Currently Kiwisaver members making a 2% contribution are exempt from the Employer Superannuation Contribution Tax (ESCT). From April 1st this exemption will be removed meaning that all contributions to Kiwisaver will be subject to ESCT.

ESCT is tax deducted from cash contributions an employer makes to an employee's benefit fund, ie Kiwisaver. From April 1st you must calculate the ESCT at the employee's marginal rate; see table below.

ESCT rate threshold amount	Tax rate
\$0 - \$16,800	0.105 (10.5%)
\$16,801 - \$57,600	0.175 (17.5%)
\$57,601 - \$84,000	0.300 (30%)
\$84,001 and above	0.330 (33%)

You can treat your employer contributions as salary or wages and tax your employee through PAYE but remember this must be done with their agreement.

ACC Levy

The ACC levy rate, currently sitting at \$2.04 per \$100 of earnings will reduce to \$1.70 per \$100 of earnings for the 2012/13 financial year.

You must update your payroll with this change so that your employees are not overtaxed. Also remember to change automatic payments if this is how you pay employees as they will receive a little more in the pocket each pay.

Student Loan

The SL tax code now applies to all of your employees who have a student loan and not just those who are above the repayment threshold. The exceptions to this are those that use a CAE, EDW or WT tax code.

For any of your employees with a student loan earning over the repayment threshold (eg. \$367 weekly) you will currently be making student loan deductions from their pay. This will not change. However, now is a good time to make sure the deductions you are making are correct, especially if your employee is paying more or less due to over-deduction or under-deduction in the past.

If the student loan deductions you make are less than they should be it is likely you will be contacted by the Inland Revenue Department and asked to make additional deductions on top of the standard deduction. In this instance you must use the new **SLCIR** repayment code on your Employer Monthly Schedule (EMS) for any extra payments.

You may also have employees who have chosen to make extra repayments towards their student loan in order to pay it off faster. For these payments you must use the new **SLBOR** repayment code on your EMS.

There are still some exemptions where an employee does not have to make student loan repayments. These are if they are studying full-time and/or expect to earn less than \$19,084 in the tax year. Your employee should give you a certificate authorising this exemption and you will not have to use the SL repayment code until the exemption ends.

Some employees are granted a special deduction rate. There are new rules around this and if they are approved your employee will give you a special deduction rate certificate showing special rate to use.

When you look at the above changes do they cause you anxiety and stress about getting them right? Then now is the time to sign up for our Payroll Xtreme! Let us take care of all of your payroll obligations and you can feel safe in the knowledge that the tax man won't be knocking at your door anytime soon. Not to mention you will keep your employees happy, there is no better way to create angry staff than mucking up their pay cheque! Contact us now to sign up or for further information.

