

Inland Revenue

# **IR Electronic Filing Payroll Specification Document - Final v 5.00**

**01 April 2012 to 31 March 2013**

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In Confidence

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## 1. Introduction

ir-File is Inland Revenue's online service that offers employers, tax agents and payroll bureaux a secure and convenient method of filing employer monthly schedules online.

This document provides the detailed specifications for the ir-File technical interface. Additionally, this document provides employers with information regarding employment details for KiwiSaver, and Employer's Superannuation Contribution Tax (ESCT), and a how to for initiating electronic payments from employers to Inland Revenue.

This version of the Payroll Specification Document updates and replaces all previous versions. This updated version is reformatted to take into account feedback pertaining to the document layout and readability from payroll software developers and internal Inland Revenue staff. No changes to data interfaces or processing are needed as a result of this version release.

No technical tax information is changed in this reformat.

### 1.1 Caveat

Whilst every reasonable attempt has been made to ensure legislation has been correctly interpreted, this document is intended as an ir-File technical interface specification only.

We have included examples to assist you but these are not intended to be exhaustive and cover every possible factual situation that may occur.

Any developer queries regarding this specification can be directed to:  
[payroll.developers@ird.govt.nz](mailto:payroll.developers@ird.govt.nz)

An electronic version of the final version of this specification can be found at the following link:

<http://www.ird.govt.nz/software-developers/software-dev-specs/>

Any updates to the final version of this specification will be posted at the following link:

<http://www.ird.govt.nz/software-developers/>

### 1.2 Change

As noted above, from time to time Inland Revenue may enhance the services provided by the Inland Revenue ir-File interface or make changes to the Inland Revenue Systems for a variety of reasons including changes to legislation.

Where modifications are made to the Inland Revenue ir-File Environment or to the Inland Revenue's Systems, they will only be made after payroll software developers have been given the opportunity to provide comment and feedback.

This feedback will be used to assess impact and payroll software developers implementation schedule, and to help inform Inland Revenue's decision on what is an appropriate notice period for implementation of changes.

A change log will be kept of all changes to this document (see appendix 8.6).

### 1.3 C-Series 2013

#### 1.3.1 Changes to the C-Series template

All the legislative changes relating to Student Loans and ESCT have been documented in this document.

As no changes have been made to the existing EMS (IR348) template, no changes are required to be made to any existing IR approved C-Series EMS return for 2013.

#### 1.3.2 Reference to Payroll Specification Document

The actual outputs produced for this C-Series EMS return should be based around and reflect the outputs produced from this document.

## 2. ir-File – Electronic file transfer

### 2.1 Background

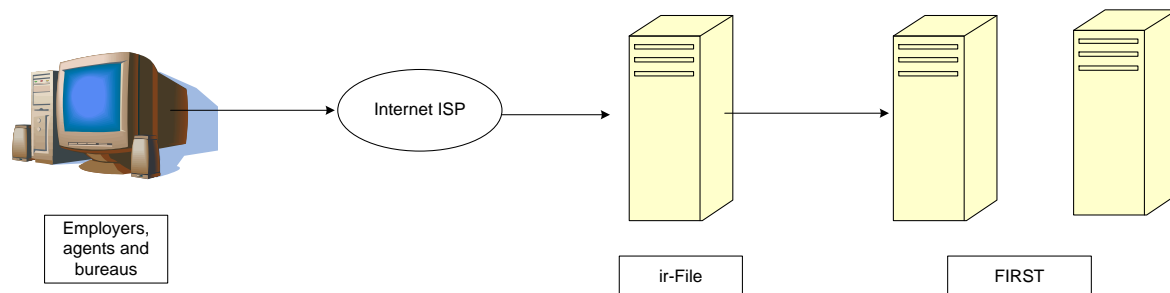
Legislation requires employers with PAYE and ESCT deducted totalling more than \$100,000 per annum to file their returns electronically by a data transfer mechanism. Other employers can choose to do so voluntarily.

### 2.2 ir-File Electronic Filing

The ir-File system enables employers, tax agents, payroll bureaus, payroll intermediaries and others to send electronic versions of the employer monthly schedules – IR348 (EMS – Employer Monthly Schedule) and remittance advice forms – IR345 (EDF – Electronic Deduction Form) securely to IRD via the internet. The information is sent across the internet to our server and then transferred into our FIRST tax system. Employers can also send KiwiSaver enrolment and opt out forms (KED).

#### 2.2.1 Network connectivity

Employers, agents and bureaus can connect to internet through an ISP as illustrated in the following:



#### 2.2.2 Data validation

Transferred files are validated in the ir-File system servers and the customer informed of any errors. This validation is designed to provide instant turnaround, ensuring customers are provided with an immediate response of their errors or filing status.

Customers will be able to observe online, the progress of their file transfer and any validation process undertaken by the system.

#### 2.2.3 Operating systems

The ir-File system is operating system independent. However, PCs and Apple Macs running any of the following operating systems have been validated through testing:

- Microsoft Windows 95
- Microsoft Windows 98
- Microsoft Windows ME
- Microsoft Windows NT Workstation 4
- Microsoft Windows 2000
- Microsoft XP
- Microsoft Vista
- Windows 7
- MacOS 9
- MacOS X
- Linux OS (Mandrake, Gentoo, Ubuntu)

### 2.2.4 Supported web browsers

At the date of publication of this document, the following web browsers have been tested and are supported for use with ir-File:

- Microsoft Internet Explorer 6.0 and higher
- Mozilla 1.4 or higher
- Netscape Navigator 6.2 or higher
- Mozilla Firefox 2.0 or higher
- Opera 6.1 or higher
- Safari (Mac OS) and Windows
- Konquerer (Linux)
- Firefox (Linux)
- Google Chrome
- Browser plug-ins and JavaScript are no longer required. However 128-bit encryption must be supported.

### 2.2.5 Error messages for ir-File

The Error messages will be displayed using the current ir-File format. Below is an example, showing the employer IRD number, the period being filed and the error message.

Schedule summary			
	IRD number	Period	Message
1	10007151	30-04-2009	FAILED:D073:Your schedule has errors that will not allow it to be sent. Please check that the schedule is in the correct format. You can use "Test a file" to check the format. If you continue to have difficulties call the ir-File help line 0800-473-829.

### 2.2.6 New error messages

New error messages relating to ir-File will be noted throughout this document, in the section the new error message relates to. The new message will be highlighted as a change to the previous version of the payroll specification document.

### 2.2.7 Error types

There are a number of error types that can be received when transferring files to us. All are four characters long, comprising an alpha character and three numeric characters e.g.

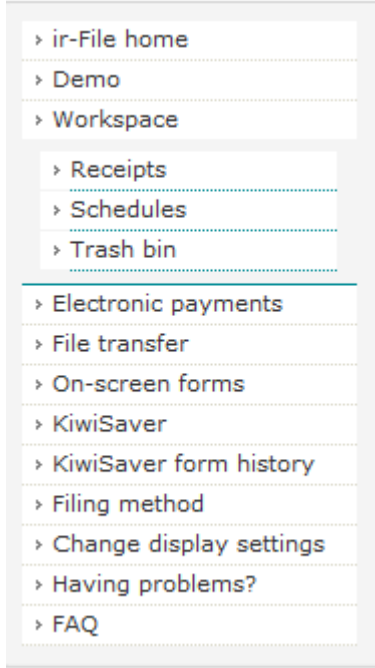
<b>D036</b>	There is an incorrect number of fields in the detail line. The schedule must be corrected before it can be sent.
-------------	--

The following information provides the location of the error messages relating to filing using ir-File:

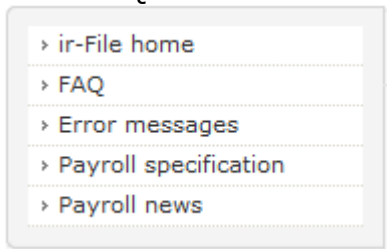
- Using IRs Secure online services
- Login to your ir-Filing account
- On the Home page
- From the menu on the left hand side
- Select FAQ



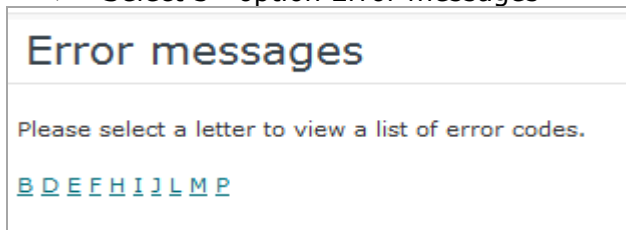
Example of menu



➤ FAQ will launch another menu



➤ Select 3<sup>rd</sup> option Error messages



This will launch error messages screen and allow you to search on the Alpha letter at start of the error message.

Alpha	Subject
D	Detail line - DTL
E	Unable to retrieve account information
F	File transfer errors
H	Header line - HDR
I	System errors
J	Conditions that prevent file from transferring
L	Technical difficulties
M	Relate to Account information data
P	Test-a-file notification – success or errors

NB: While every attempt is made to provide accurate information when an error is encountered, where there are multiple errors, the error messages may not display in sequential order.

### 3. Employer Electronic Filing

Employers can file IR 348 (Employer Monthly Schedule or EMS) and IR 345 (Employer Deduction Form or EDF) via ir-File. The sections below detail the record structures for doing this.

Employers may also file KiwiSaver information using ir-File. Refer to section 5 for details on filing KiwiSaver information.

Refer to section 8.3 for generic ir-File layout and format information.

The threshold for paying employer deductions twice monthly increased from \$100,000 to \$500,000. However the threshold for filing electronically remains at \$100,000.

Employers whose gross annual PAYE and ESCT is less than \$500,000 are required to file their EMS and pay their employer deductions on the 20<sup>th</sup> of the month following the month of deduction; employers who file electronically can voluntarily pay twice monthly if they wish.

#### 3.1 Employer Monthly Schedule (IR 348)

The IR 348 is the Employer Monthly Schedule (EMS). As the names suggests, this schedule is filed monthly.

The due dates for the EMS vary depending on the employer. For large employers, this is the 5th of the month following the month the PAYE was deducted or the 15th of January, if December is the month the PAYE was deducted. For small employers, the due date is the 20th of the month following the month the PAYE was deducted.

##### 3.1.1 Tax on Schedular Payments (formerly Withholding Tax deductions)

The gross amount of schedular payment and tax deducted must be identified separately from normal gross pay and PAYE deducted. If you have an employee who received both salary or wages and schedular payments you will need to be able to identify the amount of schedular payment and the normal salary and PAYE when you create the employer monthly schedule.

For example, if an employee gets a normal salary under the M tax code as well as schedular payments, you will need to have two lines for the employee on the employer monthly schedule. One line would contain the salary and PAYE with the tax code showing as M and the second line would have the gross schedular payment, Earnings not liable for Earner Levy should be equal to gross schedular payment, and tax with a tax code of WT.

##### 3.1.2 Nil returns sent by electronic transfer

For a nil schedule to be accepted by ir-File it must have, in addition to the header record, a detail line with a 000-000-000 IRD number, the words nil schedule in the employee name field and nil or blank values as appropriate in the other fields. Any other information in these fields is unacceptable.

### 3.2 New Student Loan repayment codes and tax code/repayment code combinations

From 1 April 2012 the majority of our NZ based Student Loan borrowers will no longer have an annual calculation performed to determine their repayment obligation. Instead borrowers will continue to have Student Loan deductions made from their salary and wages (as they do now), provided these deductions are within an acceptable tolerance (for both significant over-deductions and significant under-deductions) they will be the borrower's 'full and final' repayment obligation.

A range of new business processes, driven by legislative changes, will enable the implementation of the majority of changes needed to accommodate 'full and final' standard deductions.

The changes include:

- All borrowers are required to have a student loan (SL) repayment code regardless of whether their income is over the annual repayment threshold.
  - Exceptions exist for borrowers:
    - who have been given an exemption from repayment deductions, or
    - who have income other than salary or wages, such as scholastic payments
    - for whom the CIR (Commissioner Inland Revenue) has advised that a non SL tax code should be used, for example, a special tax code or repayment deduction exemption (RDE) is granted. Refer to section 6.8.2 for repayment deduction exemption.
- Two new tax code/ repayment code combinations to ensure all borrowers have SL deductions from their salary and wages – SBSL and MLSL.
- Exemption: full-time students may be able to get an exemption from deductions where their income is above the pay period repayment threshold (for 2013 this is \$367 per week) but their annual income is expected to be below the annual repayment threshold (for 2013 \$19,084). They will need to provide their employer with an exemption certificate.
- Two new SL repayment codes for additional SL deductions- SLCIR (Commissioner deduction) and SLBOR (Borrower deduction).
- A special deduction rate (enabling reduced SL deductions) which may apply for a short period. For the majority, the period will be 3 months.

The Student Loan deduction process, managed via the EMS, will have four new codes included in the repayment deduction process -

- Two new SL repayment codes SLCIR and SLBOR for CIR required or voluntary additional repayment deductions
- Two new SL tax code combinations - SB SL and ML SL to ensure all borrowers have SL deductions.

#### 3.2.1 SL repayment code SLCIR for additional deductions

Where the decision has been made by IR to recover a significant under deduction, this will be achieved from additional SL deductions via the use of the new SLCIR code which is applied on future salary or wage income.

IR will notify the borrower and the employer in writing that additional SL deductions are required.

The borrower and employer will receive notification that states -

- The name of the borrower

- The name of the employer
- The rate of additional deductions to be made
- The SL repayment code (SLCIR) to be used (in addition to standard tax code/ repayment code).
- The amount of the significant under-deduction to recover via additional deductions
- That additional deductions are to continue until the earlier of:
  - when the amount to recover has been reached or
  - the Commissioner advises otherwise.
- Additional deductions (using the SLCIR repayment code) will need to be deducted at the percentage rate advised on the notification.

The maximum rate will be 5% (50% of standard SL deductions) on income (over the pay period repayment threshold) for primary employment earnings. For secondary income this will be 5% on the gross payment of salary or wages.

The wording on the SLCIR notice to employers clarifies how to calculate the SLCIR deduction – for a 5% rate it will be a further deduction of 50% of the standard deduction. Similarly, if the rate is 3%, then the deduction will be 30% of the standard deduction. The SLCIR repayment code must be used to identify this additional repayment.

#### **Example**

The CIR has asked the employer to apply the SLCIR repayment code at the rate of 5%. The borrower's gross primary employment earnings are \$800 a week. The SLCIR deductions would be \$21.65 a week (5% of the income above the threshold (\$367 per week)).

#### **Example**

On secondary income, if the CIR has requested SLCIR deductions at the rate of 5%. The borrower's secondary income is \$100 a week. Then the SLCIR would be \$5.00 a week (5% of \$100).

Once the amount of the significant under-deduction has been paid from the borrower's salary/wages the additional deductions will cease.

Where an employee has the SLCIR repayment code for additional SL deductions, a new page for the on-screen form, or an additional DTL line for file transfer, will be created. This will capture the employee's IRD number, name, repayment code (SLCIR) and student loan deduction. These fields are the only data required to process the SLCIR repayment code. Refer section 3.2.3.

SLCIR deductions will be made in addition to repayment deductions required under the standard SL repayment codes.

An employee may have up to three SL deductions in one pay period:

- Standard SL deductions
- additional deductions using the SLCIR repayment code, and
- additional deductions using the SLBOR repayment code. Refer section 3.2.2.

Currently a borrower may use tax codes M SL and a WT tax code on the same EMS. This situation will be rare but possible. With the introduction of SLBOR and SLCIR, it may be possible for one employee to have the M SL, WT, SLBOR and SLCIR codes on the same EMS.

In this rare situation, it is possible that the same employee may appear on the one EMS more than three times.

### 3.2.2 SL repayment code SLBOR for additional deductions

Many borrowers currently choose to make additional deductions from their salary and wages to repay their loan quicker, and/or to receive the excess repayment bonus. With the introduction of 'full and final', these additional over-deductions will not be considered for the excess repayment bonus unless they exceed a published threshold and therefore determined to be 'significant'.

If the amounts deducted are below the significant over-deduction threshold, they will be considered 'full and final'. They will repay the loan quicker, but they will not form part of the bonus calculation.

To enable borrowers to take advantage of the excess repayment bonus and encourage continued additional deductions through their salary and wages, a new repayment code, SLBOR, has been introduced for voluntary deductions requested by the borrower.

Additional SLBOR deductions will be at the request of the borrowers. Borrowers must continue to use standard SL repayment codes for required deductions. Where they wish to have additional deductions from their salary or wages, the employer will need to use the SLBOR code to identify these additional deductions.

Employers must make this deduction in addition to standard deductions. SLBOR deductions can be a fixed dollar amount or a percentage of the borrower's income for the pay period. Depending on the borrower's tax code, a percentage SLBOR deduction is either based on gross income for a pay period, or based on the amount of income that exceeds the pay period repayment threshold.

#### Examples

For "M SL" and similar tax codes:

- The income value is the same income that the pay period threshold is applied to.
- The pay period threshold is ignored for the purposes of calculating SLBOR. The rate is applied to the gross income without this income being reduced by the repayment threshold.
- A borrower who has no standard deduction either because their pay period income is less than the repayment threshold or because they have a zero standard deduction rate will have a SLBOR deduction if a SLBOR rate or fixed amount has been agreed to.

For "S SL" and similar tax codes:

- The income value is the same income that the standard or special deduction rate is applied to.
- A borrower who has no standard deduction because they have a zero standard deduction rate will have a SLBOR deduction if a SLBOR rate or fixed amount has been agreed to.

#### Example 1

Martin has a tax code of "M SL" income of and weekly income of \$600. He has asked his employer to deduct an additional 5% in voluntary deductions. Martin's SLBOR deductions are  $\$600 \times 5\% = \$30.00$ . Note that the threshold does not reduce the gross income before the SLBOR rate is applied

#### Example 2

Wendy has a tax code of "M SL" income of and weekly income of \$200. She has asked his employer to deduct an additional 5% in voluntary deductions. Wendy's SLBOR deductions are  $\$200 \times 5\% = \$10.00$ . Note that Wendy has a SLBOR deduction even though her income is below the pay period threshold and she has no standard deduction.

**Example 3**

Mark has a tax code of "S SL" income of and weekly income of \$400. He has asked his employer to deduct an additional 5% in voluntary deductions. Mark's SLBOR deductions are  $\$400 \times 5\% = \$20.00$ .

**Example 4**

Jayne has a tax code of "S SL" income and a zero special deduction rate. Her weekly income is \$120. She has asked his employer to deduct an additional 5% in voluntary deductions. Jayne's SLBOR deductions are  $\$120 \times 5\% = \$6.00$ . Note that Jayne has a SLBOR deduction even though she has no standard deduction.

To initiate SLBOR deductions, the borrower will advise their employer they wish to make additional payments to reduce their loan balance. These payments must be in addition to any other SL deductions currently deducted each pay period.

The borrower's deduction must be made before other non-tax payments are deducted through their salary or wages (e.g. union fees) in accordance with Section 39(2) of the Student Loan Scheme Act 2011.

The SLBOR repayment code will be used to identify the SL deduction as an additional payment.

Where an employee has the SLBOR repayment code for additional SL deductions, a new page (on-screen form) or new DTL line on the EMS (file transfer) will be created to capture the employee's IRD number, name, repayment code (SLBOR) and student loan deduction. These four fields are the only data required to process the SLBOR repayment code. Refer section 3.2.3.

**3.2.3 Required data for SLCIR and SLBOR**

The file structure for the new repayment codes SLCIR and SLBOR will follow the existing Detail (DTL) line structure.

For each employee who has SLCIR or SLBOR the DTL line will have values in five fields -

- Detail Record Indicator
- Employee IRD Number
- Employee Name
- Employee Repayment code (e.g. SLCIR and SLBOR)
- Student Loan Deductions

The remaining 15 fields will be blank/empty as is the current practice where a DTL field does not require/contain a value.

Where an employee has both additional SLCIR and SLBOR student loan deductions, a separate detail line will be created for each deduction

Having these as separate lines will ensure the SL deduction repayment is applied correctly to the borrowers loan balance.

**3.2.4 SLCIR and SLBOR deductions when there are no standard deductions**

If a borrower has no standard student loan deduction for the pay period because gross income is below the pay period threshold or a special deduction rate of 0% applies for the pay period then:

- I. A SLBOR deduction is still able to be made. The thresholds and zero special deduction rates will not affect the calculation of SLBOR deductions.

- II. A SLCIR deduction is not required to be made. SLCIR deductions are only required to be made when an employee is subject to a standard student loan deduction.

### 3.2.5 SB SL and ML SL

Currently there are borrowers who use the SB or ML tax code do not have student loan repayment deductions made due to the borrower's level of annual income.

The new SL legislation requires all borrowers who derive salary or wages to use the SL repayment code, (unless exempt as previously noted). This means that two new tax code combinations are required – SB SL and ML SL.

From 1 April 2012, borrowers who wish to continue to use the SB or ML tax code rate must use tax code SB SL or ML SL unless they have provided their employer with a repayment deduction exemption certificate.

The standard repayment deduction rules for primary and secondary income apply to these two new combinations -

ML SL - 10 cents in every dollar earned over the pay period repayment threshold

SB SL – 10 cents in every dollar

Refer to section 6.1 for the table of tax codes as at 1 April 2012.

### 3.2.6 File structure SB SL and ML SL

The file structure for the new tax codes ML SL and SB SL will follow the existing file structure for a tax code on the EMS.

ML SL and SB SL will be options available to use as an active tax code for an employee.

### 3.2.7 Total of SL deductions

The total amount of all SL repayment deductions associated with each employee on the EMS will be accumulated to provide the amount/value of the Total Student Loan deduction field on the on-screen form and the HDR line when using the file transfer method.

This amount will then translate to the value in the student loan deduction field on the Employer Deduction Form (EDF).

### 3.2.8 Effective Date for the new SL repayment/tax codes

The new codes, SLCIR, SLBOR, ML SL, and SB SL, will be effective from 1 April 2012. These tax codes will only be valid where the IR348 Return Period End date is = or > 30 April 2012.

Where the IR348 Return Period End date is < 30 April 2012, ir-File will not accept these new SL codes.

If the pay period ends on or before 31 March, but the wages are paid on or after 1 April 2012 then the new rules apply.

### 3.2.9 EMS - Header Record

There will be no change to the file structure of the electronic EMS HDR with the introduction of the new SL tax codes. The form version number remains as 0004. The 'Total Student Loans' field will be an aggregate total of all SL deductions for all employees.

In general the relationship of SL deductions for an employee is 1 employee = 1 SL repayment deduction. There can be scenarios where a main source of income "M SL" becomes a secondary source of income "S SL". This can generate two EMS lines with SL deductions i.e. 1 employee = 2 SL repayments. From 1 April 2012 this will change to a potential relationship of 1 employee = 3 SL repayment deductions. All SL deductions will be included in the Total Student Loan deductions field.

The header record precedes the detail records. It will contain data about the employer including summary totals in the following format and layout:

Item description	Attribute	Field size	Default values/notes
Header record indicator	ALPHA	3	This must have a value of HDR to indicate the employer header record.
Employer IRD number	IRD	9	A valid IRD number. Validation rules are outlined in Appendix 8.1.
Return period	DATE	8	The last day of the month for which the schedule is being filed. Format CCYYMMDD e.g. 20100831
Name of payroll contact person	ANAM	20	The name of the payroll contact person for IRD purposes. This is a compulsory field and the preference is 'first name surname' with a space between names included in the 20 character total. Must not include embedded commas.
Payroll contact work phone number	ANUM	12	The daytime work contact phone number for the payroll contact person. 12 alphanumeric characters and must not include commas
Total PAYE / tax	PDEC	14	The sum of the PAYE and tax (on schedular payments) deducted for all employees for the month being filed. Must be converted to a positive figure if amounts deducted are treated as a negative. Cannot be greater than total gross earnings. Calculated using the tax calculations detailed later in this document.
Total child support	PDEC	14	The sum of the child support deductions for all employees for the month being filed. Calculated from CS 503. Must be converted to a positive figure if amounts deducted are treated as a negative.
<b>Total student loans</b>	<b>PDEC</b>	<b>14</b>	The sum of <b>all</b> SL repayment deductions for all employees for the month being filed. Must be converted to a positive figure if amounts deducted are treated as a negative.



Item description	Attribute	Field size	Default values/notes
Total KiwiSaver deductions	PDEC	14	The total amount of KiwiSaver contributions deducted from all the employees for the period. Must be 2%, 4% or 8% of total gross earnings.
Total KiwiSaver employer contributions	PDEC	14	The total net excluding ESCT amount of KiwiSaver employer contributions on behalf of all employees for the period. Must be a minimum of 2% of total gross earnings.
Total Tax credits for payroll donations	PDEC	14	The total of all employees' tax credits for payroll donations
Total family tax credits	PDEC	14	The sum of the family tax credit payments for all employees for the month being filed. This will be 0, except when the data is from Work and Income.
Total gross earnings	PDEC	14	The sum of the gross earnings for all employees for the month being filed as calculated from Employer pay records.
Total earnings not liable for earners' levy (EL)	PDEC	14	The sum of the earnings not liable for ACC earners' levy for all employees for the month being filed as calculated from Employer pay records. If tax for schedular (withholding) payments is being deducted then earnings not liable for Earners Levy should be equal to Gross schedular (withholding) payment. Earnings not liable for EL should not be greater than gross earnings and is a whole dollar figure.
Payroll package and version no. identifier	ANAM	80	This field will contain the payroll package and version no. identifier. e.g. Vendor_Package_v1.0. This value will be unique for each Payroll software developer/package/version combination. It will not contain any Employer information.
Email of payroll contact person	EMAIL	60	This field will contain the email address of the payroll contact person. Acceptable characters are A-Z, a-z, 0-9 and @ - _ . Syntax must contain '@domain' string, and not contain double periods, e.g. myname@mycompany.co.nz.
IR form version number	NUM	4	0004

### 3.2.10 EMS - DTL Record

The introduction of the additional SL repayment deductions will significantly change the DTL data where an employee has more than one SL repayment deduction.

Currently an employee has one SL code associated to one DTL line and this will not change for any of the SL codes noted in section 6.1 Tax codes list.

Where an employee has SLCIR and/or SLBOR, an additional DTL, for each additional repayment deduction, will be required on the EMS.

For the employee details required for SL repayment codes SLCIR and SLBOR in the additional DTL lines on the EMS, refer to section 3.2.3.

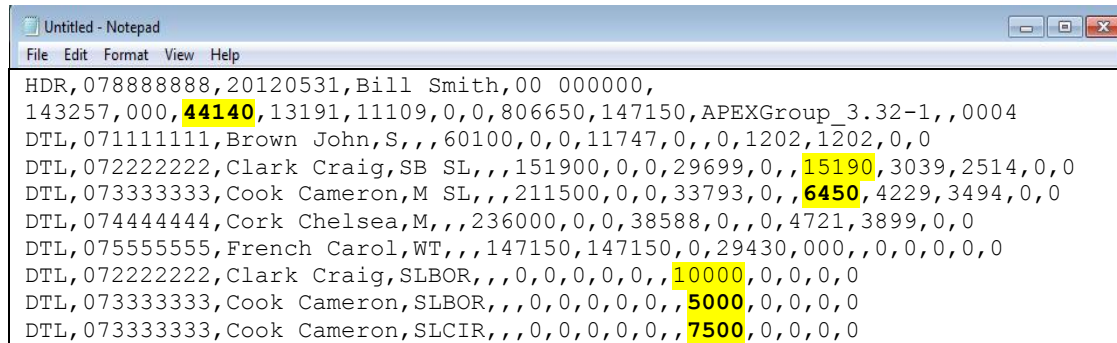
As there is no increase in the number of fields in the HDR there is no change to the HDR version number of 0004.

Item description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have a value of DTL to indicate employee details record.
Employee IRD number	IRD	9	IRD number of employee, as per Employer pay records. Validation rules are outlined in Appendix 8.1. If invalid then enter 000000000 and ensure Employee tax code equals ND (no notification) until a valid tax code is supplied by the employee. PAYE should also be made at the ND rate.
Employee name	ANAM	20	Preference is 'surname first name' with a space between names included in the 20 character total. Must not include embedded commas.
Employee tax code	RANGE	5	See section 6.1 for a list of accepted tax codes.
Start date	DATE	8	Only enter if employee started during the month, otherwise leave blank. Enter once only – Do not keep entering start date on subsequent returns filed. Must be in format CCYYMMDD.
Finish date	DATE	8	Only enter if employee finished during the month, otherwise leave blank. Must be in format CCYYMMD.
Gross earnings and/ or schedular (withholding) payments	PDEC	14	The taxable gross earnings for the employee for the period. Non-taxable allowances not included. Calculated by totalling gross pays for each employee for the period from the first of the month to the end of the month. Truncate total to whole dollars, e.g. \$3,483.97 becomes \$3,483.00.
Earnings and / or schedular (withholding) payments not liable for ACC earner levy	PDEC	14	The employee's earnings for the period, which are not liable for earners' Levy. This cannot be greater than gross earnings. Calculated by totalling gross pays for each employee for the period from the first of the month to the end of the month. Truncate total to whole dollars, e.g. \$865.54 becomes \$865.00. Earnings not liable should be equal to gross if schedular (withholding) payment has been made.
Lump sum (extra pay) indicator	PDEC	1	This indicates whether the employee has received a lump sum payment that has been taxed at a low rate during the monthly period. 1 for yes otherwise must be 0. See section 6.9 for extra pay PAYE calculation details and extra pay student loans calculations.

Item description	Attribute	Field size	Default values/notes
PAYE / tax	PDEC	14	PAYE or tax (on schedular payments) deducted from employee's earnings for period. Does not include student loan or child support deductions. Cannot be greater than gross earnings.
Child support deductions	PDEC	14	The amount of child support deducted from the employee's earnings for the period. Calculated by totalling the child support deductions on the employee's pays for the period. 0, except when the employee is a non-custodial parent. Cannot be greater than gross earnings.
Child support code	PDEC		Must be blank or one of : <span style="float: right;">Priority</span> <ul style="list-style-type: none"> <li>• C=ceased employment <span style="float: right;">1</span></li> <li>• A=advanced payment <span style="float: right;">2</span></li> <li>• P=protected earnings <span style="float: right;">3</span></li> <li>• S=short term absence <span style="float: right;">4</span></li> <li>• D=deducted previously <span style="float: right;">5</span></li> <li>• O=other <span style="float: right;">6</span></li> </ul> <p>If more than one variation code is used the priority of the variation codes should be as above i.e. (1-6), the lowest number is the highest priority.</p> <p>If no variation codes or child support not deducted for employee then leave blank.</p>
Student loan deductions	PDEC	14	The amount of student loan repayments deducted from the employee's earnings for the period. 0, except when the employee has a student loan tax code (see section 6). Cannot be greater than gross earnings. For deductions SLBOR, SLCIR, see Example EMS below.
KiwiSaver deductions	PDEC	14	The amount of KiwiSaver contributions deducted from the employee's gross earnings for the period. NOTE: Must be either 2%, 4% or 8% of the employee's taxable gross earnings for the period.
KiwiSaver employer contributions	PDEC	14	The amount of KiwiSaver employer contributions paid on behalf of the employee for the period. NOTE: this amount will be exclusive of any ESCT payable on the contribution.
Tax credits for payroll donations	PDEC	14	The amount of tax credits for payroll donations granted to the employee for the donation(s) made.
Family tax credits	PDEC	14	The amount of family tax credits paid to the employee for the period. This must be '0' except when the employer is Work and Income.

**Example EMS**

The following is an example of what the notepad EMS file with the new SL repayment deduction codes:



```
Untitled - Notepad
File Edit Format View Help
HDR,078888888,20120531,Bill Smith,00 000000,
143257,000,44140,13191,11109,0,0,806650,147150,APEXGroup_3.32-1,,0004
DTL,071111111,Brown John,S,,,60100,0,0,11747,0,,0,1202,1202,0,0
DTL,072222222,Clark Craig,SB SL,,,151900,0,0,29699,0,,15190,3039,2514,0,0
DTL,073333333,Cook Cameron,M SL,,,211500,0,0,33793,0,,6450,4229,3494,0,0
DTL,074444444,Cork Chelsea,M,,,236000,0,0,38588,0,,0,4721,3899,0,0
DTL,075555555,French Carol,WT,,,147150,147150,0,29430,000,,0,0,0,0,0
DTL,072222222,Clark Craig,SLBOR,,,0,0,0,0,0,,10000,0,0,0,0
DTL,073333333,Cook Cameron,SLBOR,,,0,0,0,0,0,,5000,0,0,0,0
DTL,073333333,Cook Cameron,SLCIR,,,0,0,0,0,0,,7500,0,0,0,0
```

The Student loan amounts are highlighted. The total student loan deduction on the HDR line is the sum of the combined SL repayment deductions ie SB SL, M SL, SLBOR and SLCIR.

### 3.3 Electronic Deduction Form (IR345)

This form is used to record and pay the deductions made from employees pay.

This form should correspond to a payment made to Inland Revenue (either directly, electronically or via a Westpac Branch)

Filing an IR345 online by submitting an EDF or Electronic Deduction Form has been available to ir-File users since July 2007. The information in this section details how this can be achieved.

The EDF has been changed to remove the two KiwiSaver ETC claim fields.

For payroll giving, the 'PAYE and/or tax on Schedular payments' field will be a PAYE payable field. This means, that the figure in this field will be PAYE minus tax credits for payroll donations. There will be help text inserted on the above page to explain this. If the employer is a monthly filer and the EMS is completed in the same online session, the totals will still pre-populate, however, the 'PAYE and/or tax on Schedular payments' field will automatically deduct the tax credits for payroll donations, and pre-populate the field with the PAYE minus tax credits for payroll donations figure.

The EDF will be available in the Users Workspace for six (6) months after filing. The EDF then follows current EMS automatic trash rules.

All EDF forms with effective periods prior to 1 April 2008 and following 1 April 2009 will not show ETC fields when viewed in online account history.

#### 3.3.1 New SL repayments codes and the EDF

There are no file structure or field attribute changes to the EDF with the introduction of the new SL tax codes and therefore no change to the version number of 0003.

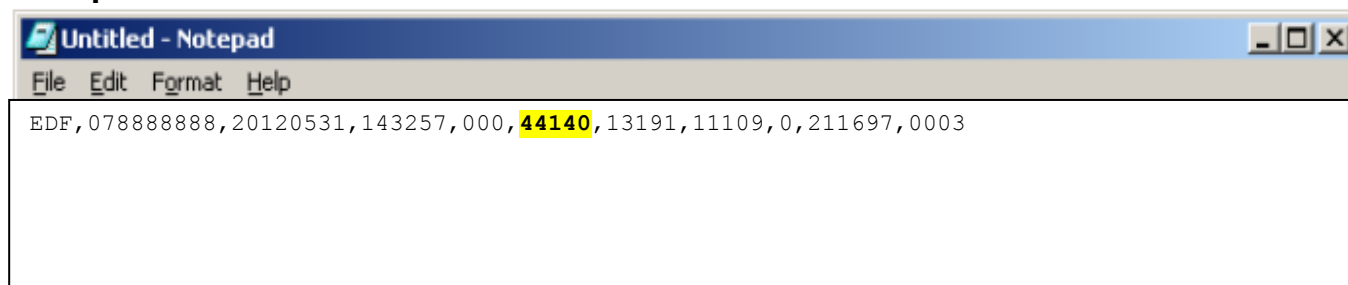
The only change required is the sum of all student loan deductions will be the amount in the Total Student Loan Deduction field.

The 'Total Student Loans' value on the EMS HDR record for the Return Period End will equal the 'Total Student Loan Deductions' on the EDF. Refer to section 3.2.6

#### 3.3.2 EDF/IR345: header payment details

Item description	Attribute	Field size	Default values/notes
Detail Record Indicator	ALPHA	3	EDF
Employer IRD number	IRD	9	A valid IRD number. Validation rules are outlined in Appendix 8.1.
Payment Date	DATE	8	The 15 <sup>th</sup> or end of the period for which the schedule is being filed for DCP
Total PAYE and Tax (on schedular payments)	PDEC	13	Total PAYE deducted for all clients NB: For payroll giving, this field will be PAYE minus tax credits for payroll donations Able to accept with no value.

Item description	Attribute	Field size	Default values/notes
Total Child Support Deductions	PDEC	13	Total child support deductions of all clients Able to accept with no value.
<b>Total Student Loan Deductions</b>	<b>PDEC</b>	<b>13</b>	Total of <b>all</b> student loan repayment deductions of all clients Able to accept with no value
Total KiwiSaver Deductions	PDEC	13	The total amount of KiwiSaver deductions from the employee's earnings for the period. Able to accept with no value.
Total KiwiSaver Employer Contributions	PDEC	13	The net amount of employer contributions being paid on behalf of the employee for the period. Able to accept with no value.
Total ESCT Deducted	PDEC	13	Total ESCT deducted of all clients Able to accept with no value
Total Amounts Payable	PDEC	13	The total of all amounts to be deducted: <ul style="list-style-type: none"> <li>Total PAYE &amp; tax on schedular payments (formerly WT deductions) deducted. NB: For payroll giving, this amount will be PAYE minus tax credits for payroll donations</li> <li>Total Child Support deductions</li> <li>Total Student Loan deductions</li> <li>Total KiwiSaver deductions</li> <li>Total KiwiSaver Employer Contributions</li> <li>Total ESCT deducted</li> </ul> Must not be blank. Nil values should be represented by zero, i.e. 0. (D139 - The total amounts payable field in the EDF is incorrect. The total amount payable must equal the total of all amounts deducted. This error must be corrected before the schedule can be sent).
IR Form Version Number	NUM	4	0003

**Example EDF**

The 'Total Student Loan Deductions' is **highlighted**, and is the sum of the combined SL repayment deductions from the EMS HDR for the Period End date.

## 4. PAYE intermediaries Electronic Filing

The PAYE intermediaries' scheme that began in 2004 has been extended to enable accredited PAYE intermediaries to apply to become "listed PAYE intermediaries".

A "listed PAYE intermediary" who contracts with small employers to manage their payroll obligations may apply to receive a subsidy from Inland Revenue for these services.

A small employer is one whose total PAYE, tax on schedular payments and ESCT amounts are less than \$500,000 in the previous tax year. If the employer was not in business in the previous tax year, their total PAYE, tax on schedular payments and ESCT amounts deducted need to be less than \$500,000.

This initiative is intended to reduce compliance costs for small employers by promoting the use of listed PAYE intermediaries.

The subsidy will be paid monthly at a flat rate, calculated at \$2 per employee per pay date for up to five employees per month for each small employer. The subsidy is GST-inclusive and subject to income tax.

The scheme became effective from 1 October 2006.

The primary interface between Inland Revenue and PAYE intermediaries will be the ir-File platform. As a consequence, the ir-File platform incorporates the following changes for Payroll Intermediaries:

be used to allocate the electronic payment which will be made by the The Electronic Payment Schedule (EPS) provides a PAYE intermediary with the ability to submit an electronic payment schedule detailing all their respective clients' payment information. This information will also be used to allocate the electronic payment which will be made by the intermediary.

- .
- The Electronic Amendment Schedule (EAS) provides the PAYE intermediary with the ability to submit multiple amended employer monthly schedules electronically for their respective clients.
- The Electronic Subsidy Claim Form (SCF) will let listed PAYE intermediaries submit an electronic subsidy claim form by ir-File.

### 4.1 Electronic Payment Schedule (EPS) file specifications

This section specifies the file format and layout for the EPS that will be sent through the ir-File system.

The file layout should conform to the layout specified in Appendix 8.3.

A PAYE intermediary can send only one EPS per day per period.

An intermediary can send an EPS without an employer monthly schedule (there is no dependency).

An EPS (Electronic Payment Schedule) must have a header line.

A PAR (Employee Deductions Detail Record) is no longer to be used for the payment of 'authorised employee arrears amounts to be deducted'.

A DEP record cannot follow a DCP record.

#### 4.1.1 EPS Header record

The header record precedes the detail records. It will contain data about the PAYE intermediary including summary totals in the following format and layout:

Item Description	Attribute	Field Size	Default Values/Notes
Header record indicator	ALPHA	3	This must have a value of EPS to indicate header record.
PAYE intermediary IRD number	IRD	9	A valid IRD number. This is a 9-digit number preceded by 0. It cannot be 000000000.
Period end date	DATE	8	This must be populated with a valid Period end date
Total PAYE and tax (on schedular payments)	NUM	14	The total of the PAYE and tax on schedular payments (formerly withholding tax deductions) for all clients must not be blank. Nil values should be represented by zero, i.e. 0. NB: For payroll giving, this field will be PAYE minus tax credits for payroll donations
Total child support deductions	NUM	14	The total of the child support deductions of all clients must not be blank. Nil values should be represented by zero, i.e. 0.
Total student loan deductions	NUM	14	The total of all student loan repayment deductions of all clients must not be blank. Nil values should be represented by zero, i.e. 0.
Total KiwiSaver Deductions	NUM	14	The amount of KiwiSaver contributions deducted from the employee's earnings for the period. Nil values should be represented by zero, i.e. 0.
Total KiwiSaver Employer Contributions	NUM	14	The net amount of employer contributions being paid on behalf of the employee for the period. Nil values should be represented by zero, i.e. 0.
Total ESCT deducted	NUM	14	The total of the ESCT deducted for all clients must not be blank. Nil values should be represented by zero, i.e. 0.
Grand total of amounts to be deducted	PDEC	14	The total of all amounts to be deducted: <ul style="list-style-type: none"> <li>total PAYE and tax (on schedular payments) deducted. NB: For payroll giving, this amount will be PAYE minus tax credits for payroll donations</li> <li>total child support deductions</li> <li>total student loan deductions</li> <li>total KiwiSaver deductions</li> <li>total KiwiSaver employer contributions</li> <li>total ESCT deducted</li> </ul> Must not be blank. Nil values should be represented by zero, i.e. 0. (D138: The grand total of the amounts deducted field in the EPS header line is incorrect.)
IR form version number	NUM	4	0004

#### 4.1.2 Detail records

The detail records are shown as "DEP" and "DCP".

The DEP and DCP record contains client (employer) details. DEP details represent earlier PAYE periods and DCP details represent current and future PAYE periods.



## 4.1.3 DEP – Earlier PAYE Period Detail Record

Item description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have a value of <b>DEP</b> to indicate detail record.
Employer IRD number	IRD	9	A valid IRD number. This is a 9-digit number currently starting with 0. It cannot be 000000000.
Period ended	DATE	8	The 15 <sup>th</sup> or end of the period for which the schedule is being filed. The period relates to an earlier PAYE period. Valid format is CCYYMMDD.
PAYE and Tax on schedular payments	PDEC	14	The sum of the PAYE and tax on schedular payments (formerly withholding tax deductions) for all the employees for the period filed must not be blank. Nil values should be represented by zero, i.e. 0. NB: For payroll giving, this field will be PAYE minus tax credits for payroll donations
Child Support Deductions	PDEC	14	The sum of the child support deductions for all employees for the period being filed must not be blank. Nil values should be represented by zero, i.e. 0.
Student loan deductions	PDEC	14	The sum of <b>all</b> the student loan repayment deductions for all employees for the period being filed must not be blank. Nil values should be represented by zero, i.e. 0.
KiwiSaver Deductions	PDEC	14	The amount of KiwiSaver contributions deducted from the employee's earnings for the period. Nil values should be represented by zero, i.e. 0.
KiwiSaver Employer Contributions	PDEC	14	The net amount of employer contributions being paid on behalf of the employee for the period. Nil values should be represented by zero, i.e. 0.
ESCT (Employer's Superannuation Contribution tax)	PDEC	14	The sum of the ESCT deducted for all employees for the period being filed must not be blank. Nil values should be represented by zero, i.e. 0.
Total amounts deducted	PDEC	14	The total of all amounts deducted: <ul style="list-style-type: none"> <li>• PAYE and tax (on schedular payments) deductions. NB: for payroll giving, this amount will be PAYE minus tax credits for payroll donations</li> <li>• Child Support deductions</li> <li>• Student loan deductions</li> <li>• KiwiSaver deductions</li> <li>• KiwiSaver Employer contributions</li> <li>• ESCT deducted</li> </ul> Must not be blank. Nil values should be represented by zero, i.e. 0.

## 4.1.4 DCP – Current and Future PAYE period

Item description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have a value of <b>DCP</b> to indicate detail record.
Employer IRD number	IRD	9	A valid IRD number. This is a 9-digit number currently starting with 0. It cannot be 000000000.
Period Ended	DATE	8	The 15 <sup>th</sup> or end of the period for which the schedule is being filed. The period relates to either a current or future PAYE period. Valid format is CCYYMMDD.
PAYE and tax on schedular payments deducted	PDEC	14	The sum of the PAYE and tax (on schedular payments) deducted for all the employees for the period filed must not be blank. Nil values should be represented by zero, i.e. 0. NB: For payroll giving, this field will be PAYE minus tax credits for payroll donations
Child Support Deductions	PDEC	14	The sum of the child support deductions for all employees for the period being filed must not be blank. Nil values should be represented by zero, i.e. 0.
Student loan deductions	PDEC	14	The sum of <b>all</b> the student loan repayment deductions for all employees for the period being filed must not be blank. Nil values should be represented by zero, i.e. 0.
KiwiSaver Deductions	PDEC	14	The amount of KiwiSaver contributions deducted from the employee's earnings for the period. Nil values should be represented by zero, i.e. 0.
KiwiSaver Employer Contributions	PDEC	14	The net amount of employer contributions being paid on behalf of the employee for the period. Nil values should be represented by zero, i.e. 0.
ESCT (Employer's Superannuation Contribution Tax)	PDEC	14	The sum of the ESCT deducted for all employees for the period being filed must not be blank. Nil values should be represented by zero, i.e. 0.
Total amounts deducted	PDEC	14	The total of all amounts deducted: <ul style="list-style-type: none"> <li>• PAYE and tax (on schedular payments) deducted. NB: For payroll giving, this amount will be PAYE minus tax credits for payroll donations</li> <li>• Child Support deductions</li> <li>• Student loan deductions</li> <li>• KiwiSaver deductions</li> <li>• KiwiSaver Employer contributions</li> <li>• ESCT deducted</li> </ul> Must not be blank. Nil values should be represented by zero, i.e. 0.

## Example EPS

```

EPS,010006970,20120505,600000,100000,200000,8000,0,0,100000,0004
DEP,010007003,20120430,100000,0,0,0,0,0,0,100000
DEP,010006839,20120430,200000,5000,10000,4000,0,0,0,219000
DCP,010007003,20120531,100000,0,0,0,0,0,0,100000
DCP,010006839,20120531,200000,5000,10000,4000,0,0,0,219000

```

(Note: a PAR record is no longer a valid field. Refer to section 4.1)

## 4.2 Electronic Amendment Schedule (EAS) File Specifications

This section specifies the file format and layout for the EAS that will be sent through the ir-File system.

The file layout should conform to the layout specified in Appendix 8.3

There is no restriction to the number of EAS you may send for the same period.

A PAYE intermediary will not be allowed to submit an EAS if there is no Employer monthly schedule (EMS) previously filed for that return period.

An EAS enables an intermediary to:

- Add new detail lines to an EMS previously filed – to add new lines, the intermediary will provide nil 'DTL' lines and 'DAL' lines with new values.
- Delete detail lines from an EMS previously filed – to delete lines, the intermediary will provide 'DTL' lines with existing values and nil 'DAL' lines.
- Update detail lines to EMS previously filed – to update lines, the 'DTL' lines will show the existing values and 'DAL' lines will contain modified values.

Nil 'DTL' or 'DAL' lines will be in the following format:

```
DTL,000000000,,,,,0,0,0,0,0,,0,0,0,0,0
DAL,000000000,,,,,0,0,0,0,0,,0,0,0,0,0
```

### 4.2.1 EAS Header record

The header record precedes the detail records. It contains data about the client (employer).

There is a change in the field names for the last four fields of the EAS record. This is to meet the ESCT legislative requirements.

There is no change with the introduction of the new Student Loan repayment codes.

As there is no change to the number of fields in the EAS Header record, there is no change to the IR form version number, which remains as 0004.

Item Description	Attribute	Field size	Default values/notes
Header record indicator	ALPHA	3	This must have a value of EAS to indicate header record.
Client (employer) IRD number	IRD	9	A valid IRD number. This is a 9-digit number starting with a number equal to or greater than 0. It cannot be 000000000
Return period	DATE	8	The last day of the month for which the schedule is being filed. Valid format is CCYYMMDD.
Employer name	ANAM	20	The preference is 'first name Surname'.
Contact person	ANAM	20	The name of the payroll contact person for IR contact purposes. The preference is 'first name surname'
Contact number	ANUM	20	The daytime work phone number for the contact person.
IR form version number	NUM	4	0004

Original ESCT deducted (KiwiSaver opt outs/account closures)	PDEC	14	Original amount of ESCT deducted (KiwiSaver opt outs/account closures only). Nil values should be represented by zero, i.e. 0
Original ESCT deducted (ESCT adjustments)	PDEC	14	Original amount of ESCT deducted (for adjustments due to under or over payments of ESCT). Nil values should be represented by zero, i.e. 0
New ESCT deducted (KiwiSaver opt outs/account closures)	PDEC	14	Total of: original ESCT minus the ESCT deducted for KiwiSaver opt outs or account closure. Nil values should be represented by zero, i.e. 0
New ESCT deducted (ESCT adjustments)	PDEC	14	Total of: original ESCT minus the new amount of ESCT deducted for KiwiSaver adjustments. Nil values should be represented by zero, i.e. 0

#### 4.2.2 Detail records

The detail records are shown as 'DTL' and 'DAL'. Both the details records contain employee details.

DTL shows the original line item and will be used when existing details supplied previously are amended.

DAL shows amendments to the previous EMS lines or brand new data that did not appear in previous EMS.

#### 4.2.3 DTL Record – Original Line Item

The detail record contains employee information in the following format and layout.

Item Description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have a value of <b>DTL</b> to indicate detail record
Employee IRD number	IRD	9	Can be 000000000, otherwise a valid IRD number, modulus 11 checked. This is a 9-digit number currently starting with 0.
Employee name	ANAM	20	'Surname first name' format preferred.
Employee tax code	RANGE	5	M, ME, ML SL, NSW, SB, SB SL, S, SH, ST, M SL, ME SL, S SL, SH SL, ST SL, STC, EDW, CAE, ND, WT or blank
Start date	DATE	8	The employment start date for the employee if this is in the monthly period. Valid format is CCYYMMDD or blank
Finish date	DATE	8	The employment finish date for the employee if this is in the monthly period. Valid format is CCYYMMDD or blank
Gross earnings and / or schedular (withholding) payments	PDEC	14	The taxable gross earnings for the employee for the period must not be blank. Nil values should be represented by zero, i.e. 0

Item Description	Attribute	Field size	Default values/notes
Earning and / or schedular (withholding) payments not liable for ACC E/L	PDEC	14	The employee's earnings for the period which are not liable for earners' levy must not be blank. Nil values should be represented by zero, i.e. 0
Lump sum (extra pay) indicator	NUM	1	This indicates whether the employee has received a lump sum payment that has been taxed at a low rate during the monthly period. 1 for yes otherwise must be 0
PAYE / tax	PDEC	14	PAYE or tax (on schedular payments) deducted from employee's earnings for period must not be blank. Nil values should be represented by zero, i.e. 0
Child support deductions	PDEC	14	The amount of child support deducted from the employee's earnings for the period must not be blank. Nil values should be represented by zero, i.e. 0
Child support code	RANGE	1	The child support code. This must be A, C, D, O, P, S or blank
Student Loan deductions	PDEC	14	The amount of student loan repayments deducted from the employee's earnings for the period must not be blank. Nil values should be represented by zero, i.e. 0
KiwiSaver Deductions	PDEC	14	The amount of KiwiSaver contributions deducted from the employee's earnings for the period. Nil values should be represented by zero, i.e. 0.
KiwiSaver Employer Contributions	PDEC	14	The net amount of employer contributions being paid on behalf of the employee for the period. Nil values should be represented by zero, i.e. 0. From 1 <sup>st</sup> April 2009 this field will be the total of voluntary contributions and the compulsory 2% contribution.
Tax credits for payroll donations	PDEC	14	The amount of tax credits for payroll donations granted to the employee for the donation(s) made.
Family tax credits	PDEC	14	The amount of family tax credits paid to the employee for the period. This must be '0' except when the employer is Work and Income.

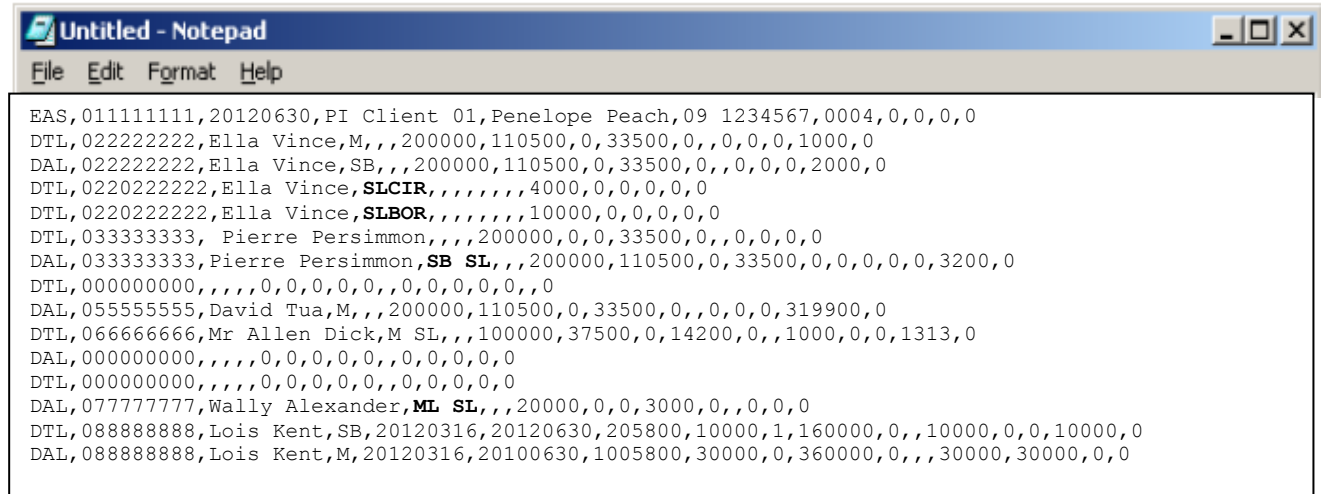
#### 4.2.4 DAL – EMS amendments or new data

The detail record contains amended information about employees and is similar to the DTL file format.

Item Description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have a value of DAL to indicate detail record
Employee IRD number	IRD	9	Can be 000000000, otherwise a valid IRD number, modulus 11 checked. This is a 9-digit number currently starting with 0.
Employee name	ANAM	20	'Surname first name' format preferred

Item Description	Attribute	Field size	Default values/notes
Employee tax code	RANGE	5	M, ME, ML SL, NSW, SB, SB SL, S, SH, ST, M SL, ME SL, S SL, SH SL, ST SL, STC, EDW, CAE, ND, WT or blank
Start date	DATE	8	The employment start date for the employee if this is in the monthly period. Valid format is CCYYMMDD or blank
Finish date	DATE	8	The employment end date for the employee if this is in the monthly period. Valid format is CCYYMMDD or blank
Gross earnings and / or schedular (withholding) payments	PDEC	14	The taxable gross earnings for the employee for the period must not be blank. Nil values should be represented by zero, i.e. 0
Earning and / or schedular (withholding) payments not liable for ACC earner levy	PDEC	14	The employee's earnings for the period which are not liable for earners' levy must not be blank. Nil values should be represented by zero, i.e. 0
Lump sum (extra pay) indicator	NUM	1	This indicates whether the employee has received a lump sum payment that has been taxed at a low rate during the monthly period. 1 for yes otherwise must be 0
PAYE / tax	PDEC	14	PAYE or tax (on schedular payments) deducted from employee's earnings for period must not be blank. Nil values should be represented by zero, i.e. 0
Child support deductions	PDEC	14	The amount of child support deducted from the employee's earnings for the period must not be blank. Nil values should be represented by zero, i.e. 0
Child support code	RANGE	1	The child support code. This must be A, C, D, O, P, S or blank
Student Loan deductions	PDEC	14	The amount of student loan repayments deducted from the employee's earnings for the period must not be blank. Nil values should be represented by zero, i.e. 0
KiwiSaver Deductions	PDEC	14	The amount of KiwiSaver contributions deducted from the employee's earnings for the period. Add a tolerance rule allowing the KSE employee deductions field to accept an amount greater than 8% if the excess is less than \$1. e.g. Gross \$1900.99 x 8%=152.0792 Truncate to 2 decimal places. 152.07 + 1.00 = 153.07. If the KiwiSaver Deduction is 153.08 then ERROR.
KiwiSaver Employer Contributions	PDEC	14	The net amount of employer contributions being paid on behalf of the employee for the period. Nil values should be represented by zero, i.e. 0. From 1 <sup>st</sup> April 2009 this field will be the total of voluntary contributions and the compulsory 2% contribution.
Tax credits for payroll donations	PDEC	14	The amount of tax credits for payroll donations granted to the employee for the donation(s) made.
Family tax credits	PDEC	14	The amount of family tax credits paid to the employee for the period. This must be '0' except when the employer is Work and Income.

## Example EAS



```
Untitled - Notepad
File Edit Format Help

EAS,011111111,20120630,PI Client 01,Penelope Peach,09 1234567,0004,0,0,0,0
DTL,022222222,Ella Vince,M,,,200000,110500,0,33500,0,,0,0,0,1000,0
DAL,022222222,Ella Vince,SB,,,200000,110500,0,33500,0,,0,0,0,2000,0
DTL,022022222,Ella Vince,SLCIR,,,,,,,,,4000,0,0,0,0,0
DTL,022022222,Ella Vince,SLBOR,,,,,,,,,10000,0,0,0,0,0
DTL,033333333,Pierre Persimmon,,,,,200000,0,0,33500,0,,0,0,0,0
DAL,033333333,Pierre Persimmon,SB SL,,,200000,110500,0,33500,0,0,0,0,0,3200,0
DTL,000000000,,,,,0,0,0,0,0,0,0,0,0,0,0
DAL,055555555,David Tua,M,,,200000,110500,0,33500,0,,0,0,0,319900,0
DTL,066666666,Mr Allen Dick,M SL,,,100000,37500,0,14200,0,,1000,0,0,1313,0
DAL,000000000,,,,,0,0,0,0,0,0,0,0,0,0,0
DTL,000000000,,,,,0,0,0,0,0,0,0,0,0,0,0
DAL,077777777,Wally Alexander,ML SL,,,20000,0,0,3000,0,,0,0,0,0
DTL,088888888,Lois Kent,SB,20120316,20120630,205800,10000,1,160000,0,,10000,0,0,10000,0
DAL,088888888,Lois Kent,M,20120316,20100630,1005800,30000,0,360000,0,,,30000,30000,0,0
```

### 4.3 Electronic Subsidy Claim Form (SCF) file specifications

This section specifies the file format and layout for the EAS that will be sent through the ir-File system.

The file layout should confirm to the layout specified in Appendix 8.3

The ir-File system will reject a subsidy claim form for the following reasons:

- invalid or zero IRD numbers for the PAYE intermediary or employer
- invalid IRD numbers for employees (zero numbers are acceptable)
- EMS not filed for the period of the subsidy claim form
- employers not linked to PAYE intermediary
- PAYE intermediary not listed
- incorrect file format
- more than five employees listed per employer
- same employer occurring on subsidy claim form more than once
- more than one subsidy claim form received for the same period.

Note: There will be a maximum of five entries per employer on each month's subsidy claim form i.e. one entry per subsidised employee (a maximum of five employees).

There are no new error messages (as of 1 April 2010).

#### 4.3.1 SCF Header record

The header record precedes the detail records. It will contain data about the "listed PAYE intermediary" and subsidy

Item description	Attribute	Field size	Default values/notes
Header record indicator	ALPHA	3	This must have a value of <b>SCF</b> to indicate header record.
PAYE intermediary IRD number	IRD	9	This is a 9-digit number starting with a number equal to or greater than 0. It <b>cannot</b> be 000000000.
Period to which SCF relates	DATE	8	The last day of the month the employer monthly schedule which the subsidy claim form relates.
Total Amount of Subsidy claimed	PDEC	14	Total amount of the subsidy claimed by the listed PAYE intermediary in the period which the form relates to. It cannot be zero.

#### 4.3.2 Detail records

The detail records are shown as "EMR" and "EME". The EMR record contains the employer details and the EME record contains the employee details.



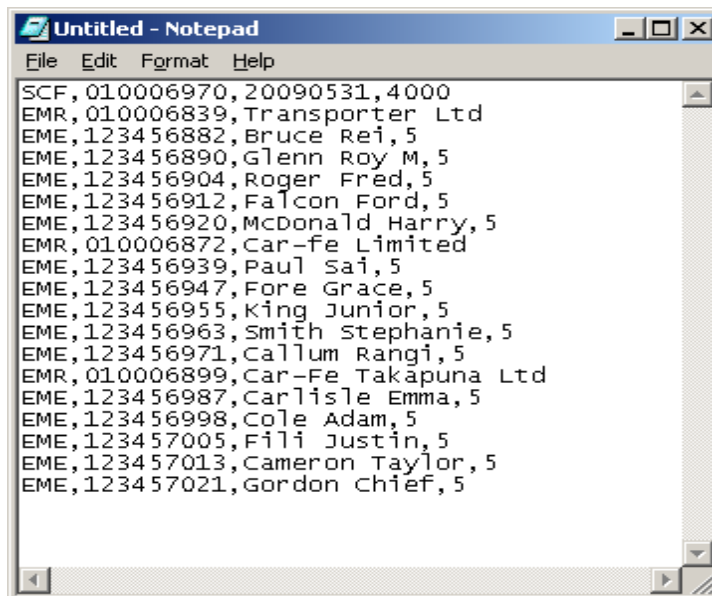
4.3.3 EMR –Employer detail records

Item description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have an <b>EMR</b> to indicate detail record.
Employer IRD number	IRD	9	This is a 9-digit number starting with a number equal to or greater than 0. It <b>cannot</b> be 000000000.
Employer name	ANAM	20	The name of the employer. The field is compulsory and must not contain embedded commas.

4.3.4 EME - Employee detail records

Item description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have an <b>EME</b> to indicate detail record.
Employee IRD number	IRD	9	This is a 9-digit number starting with a number equal to or greater than 0. It <b>can</b> be 000000000. This can include those receiving schedular (formerly withholding) payments.
Employee name	ANAM	20	The first and last name of the employee. The field is compulsory and the preference is for the format "surname first name" must not contain embedded commas.
Number of times paid	NUM	2	The number of times the employee was paid during the return period which the subsidy claim form relates to.

**Example SCF**



## 5. KiwiSaver

No changes are required to existing paper or electronic Employer Monthly Schedules as the existing field *KiwiSaver Employer Contributions* will be used to record the total of voluntary and compulsory employer contributions.

KiwiSaver members can make a contribution of 2%, 4% or 8% of their wages. They may change their contribution rate at any time by advising their employer. The default contribution rate is 2% if no rate is elected.

### 5.1 Employers who must contribute to member savings from 01 April 2008

The Crown legislated employers with employees who contribute to KiwiSaver schemes and/or complying funds to make Compulsory Employer Contributions (CEC) from 1 April 2008. For KiwiSaver purposes, CEC must start from:

- the first pay after an employee starts new employment, or
- the first pay after the employer receives notice from IR or the employee that they have become a member of a KiwiSaver scheme.

The minimum Compulsory Employer Contributions is 2%.

### 5.2 Employers who need not contribute to member savings from 01 April 2008

Employers do not need to contribute to KiwiSaver and Complying Funds as well as other schemes if an employee belongs to several (if certain requirements are met).

An employee who belongs to a Registered Superannuation Scheme (RSS) or Complying Fund may also join a KiwiSaver scheme. Employers are not required to make compulsory contributions if they already contribute to a scheme on behalf of the member (if certain conditions are met).

To avoid employers being forced to contribute more than once, any employer contribution to an RSS, Complying Fund or KiwiSaver scheme may qualify as compulsory employer contributions if, as per section 101D(5) of the KiwiSaver Act 2006:

1. employer superannuation contributions (the contributions) are made to a registered superannuation scheme (the contributions scheme); and the contributions scheme was registered before 17 May 2007, or the contributions scheme is one (a succeeding scheme) for which there is, due to all relevant members transferring to the succeeding scheme by virtue of section 9BAA of the Superannuation Schemes Act 1989, a prior registered superannuation scheme (a prior scheme) and that prior scheme or another prior scheme for the contributions scheme were registered before 17 May 2007; and the employer provided access for employees generally to the contributions scheme or a prior scheme for the contributions scheme before 17 May 2007; and the employee is -
  1. employed by the employer before 1 April 2008, and the employer makes or has agreed with the employee to make employer superannuation contributions for the employee before 1 April 2008 to the contributions scheme or a prior scheme for the contributions scheme; or
  2. covered by a collective agreement that is in force before 17 May 2007 and expires after 1 April 2008
  3. someone who has had contributions paid or credited to the contributions scheme or a prior scheme for the contributions

scheme by a previous employer, and those contributions met the requirements described in paragraphs 1, 2 and 3 above.

Employer contributions, which satisfy paragraphs 1 to 4 above, must also vest completely in the employee no later than 5 years after the employee joins the contributions scheme.

Employer contributions to an RSS scheme, which meets the requirements listed above, count towards the compulsory employer contribution, even if the scheme does not have similar lock-in rules to Complying Funds or KiwiSaver schemes. This policy prevents an employer being forced to contribute twice, once because an employee belongs to an RSS, which requires employer contributions and a second time because the same employee joins a KiwiSaver scheme or complying fund.

If an employee is a member of a defined benefit scheme, their employer is not liable to pay CEC for that or any other scheme that employee may belong to.

The table below summarises employer obligations where employees belong to several superannuation schemes:

Contribution Type	CEC implications
Defined Benefit Fund	If an employee is a member of a defined benefit scheme, there are no CEC obligations in regards to that employee
Registered Superannuation Scheme	No CEC requirements for these but contributions to RSS can offset other CEC liabilities. See formula below
Complying Fund	CEC applies
KiwiSaver Scheme	CEC applies

CEC = (payment of gross salary or wages x CEC rate) – other contributions

### 5.3 Changes to the definition of Salary and Wages for KiwiSaver purposes

#### 5.3.1 Gross salary and wages

The definition of gross salary and wages has been amended for KiwiSaver purposes to exclude redundancy, but not bonus payments. Accordingly, no CEC is required for redundancy payments.

The changes also exclude reasonable allowances or expenses if the expense or allowances are for accommodation overseas or other costs of living overseas (providing any allowance is calculated with reference to the actual costs).

#### Gross base salary and wages

Gross base salary and wages (salaries and wages without any higher allowances) are used to determine the amount of employer deductions and compulsory employer contributions (CECs) for members of a complying fund scheme.

#### 5.3.2 Consistency between the PAYE Rules & KiwiSaver Rules for School Children

In some instances an employer is not required to make PAYE deductions for a school child, the child rebate cancelling out any tax payable. The same will apply to KiwiSaver deductions for a school child. Refer to Section 6.2.1 for child rebate calculation rules.

### 5.3.3 KiwiSaver - Employees under 18

New and existing employees under 18 can only join KiwiSaver by choosing and contacting directly with a KiwiSaver scheme provider. Once an employee under 18 is accepted by the scheme provider and the employee has nominated their employer, IR will notify their employer and request they start deducting the employee KiwiSaver contributions. IR will provide the contribution rate for the employee, their name and IRD number.

Deductions of employee KiwiSaver contributions are based on the following:

- For school children you do not need to deduct employee contributions when their weekly earnings are less than \$45.00 per week or \$2340.00 per annum. Refer to 6.2.1.
- For school children who earn less than \$45 per week and wish to have KiwiSaver deducted from their salary must give their employer a KiwiSaver deduction notice (KS 2).
- For the under 18 employee, not at school, employers need to deduct employee contributions.
- Employers are not required to make compulsory employer contributions on behalf of employees under 18.
- Any KiwiSaver employer contributions made to employees under 18 are voluntary employer contributions.

### 5.3.4 KiwiSaver employee contribution when earnings less than \$45.00 per week

Where an employee earns less than \$45.00 per week and still wishes to contribute to KiwiSaver, the employer will include the contribution on their EMS.

EMS fields to be completed:

- Tax Code - is a compulsory field and needs a value so use the "M" Tax code.
- Gross - enter the amount (whole dollars) of earnings for the EMS period.
- PAYE - enter "0".
- KiwiSaver employee deductions - enter the amount for the EMS period
- KiwiSaver employer contributions - enter the amount for the EMS period.

If any of the above fields on the EMS are blank/empty, the EMS will still send, but will get a "warning message" - 'KiwiSaver deductions, enter the amount to be deducted'.

### 5.3.5 CEC Rate changes

Rate changes and pay periods that include working days in the old period. The new rate applies to the Compulsory Employer Contributions from the first full pay period which starts and ends after the rate changes. Employers should use the old rate for pay periods which span the rate change date.

#### Example

ABC Limited pays its employees on 05 April 2009. The pay period began on 25 March 2009 and ended on 04 April 2009. ABC Limited should use the rate of 1% to calculate CEC for the pay period.

ABC Limited pays its employees again on 15 April 2009. The pay period began on 05 April 2009 and ended on 14 April 2009. ABC Limited should use the rate of 2% to calculate CEC for the pay period.

This requirement applies whenever the CEC rate changes.

### 5.3.6 CEC Validations

The following validation will occur in Inland Revenue systems and if failed, will cause the employer's monthly schedule to be queried unless there is an existing arrangement to overlook specific CEC validations:

- If the employee is making KiwiSaver or complying fund deductions, the compulsory employer contributions must be at least 2% of the employee's gross income.

### 5.4 Changes to paper based IR344

Electronic filers of employer monthly schedules will continue to use paper based IR344 forms to make amendments to an already filed schedule with the exception of Payroll Intermediaries who will utilise current processes. Computer based IR344 forms will not be accepted.

There is a provision to change the total amount of ETC claimed for a filing period on the IR344. Although you will not be able to claim ETC from 1 April 2009, there is still a need to be able to amend back periods, if necessary.

### 5.5 Online Forms

#### 5.5.1 KiwiSaver Employment Details Form (KS1)

The KiwiSaver Employment Details Form (KS1 form) allows employers who are registered for ir-File, to submit the details of a new employee who is both eligible to join KiwiSaver and who is subject to the automatic enrolment rules, or provide details for an employee who chooses to opt in through them.

An employee is eligible to join if:

- employee is aged 18 or over but has not reached the age of eligibility for New Zealand Superannuation (currently 65); and
- the employee is a New Zealand citizen or is entitled, in terms of the Immigration Act 1987, to be in New Zealand indefinitely; and
- the employee is, or normally is, living in New Zealand, or is an employee of the State services (within the meaning of the State Sector Act 1988) who is serving outside New Zealand (further conditions apply).
- The KS1 form will also incorporate the option for employers to indicate to Inland Revenue those employees who have been automatically enrolled but have opted out of KiwiSaver.

Both an on-screen form and a file transfer option are available, and can be accessed from a KiwiSaver option on the left side of the ir-File menu.

This document specifies the file format and layout that will be sent electronically through ir-File, not the on-screen form processing.

#### 5.5.2 KiwiSaver employment details (KED) form

The KiwiSaver employment details form will allow employers to electronically notify Inland Revenue of:

New employees, who meet KiwiSaver automatic enrolment eligibility criteria;  
Existing employees, who are not subject to the automatic enrolment rules but decide to join KiwiSaver without actively choosing a KiwiSaver provider (also treated as a 'default enrolment'); and Employees who have been automatically enrolled, but have opted out of KiwiSaver.

The KiwiSaver employment details form facilitates the intent of the KS1 KiwiSaver employment details form and KS10 New employee opt-out notice, which will both be available in a paper format. It will be possible for an employer to submit both the enrolment details for a new employee, as well as giving notice to Inland

Revenue that the same employee has opted out of KiwiSaver.

If an employee is an existing KiwiSaver member, or is not eligible to be a KiwiSaver member, the employer is not required to submit enrolment details for this individual.

The KiwiSaver employment details form will be structured into three parts:

Section A: Employer Details

- Employer's IRD number
- Employer's business name
- Employer's contact name
- Employer's contact numbers

Section B: Employee Details

- Employee's eligibility: is the employee a new employee or existing employee?
- Employee's title
- Employee's first name
- Employee's surname
- Employee's postal address
- Employee's contact numbers
- Employee's email address
- Employee's IRD number
- Employee's name / EMS identifier

Section C: Opt-out

- Has the employee opted-out?
- Employee's employment start date
- Employee's bank account number
- Name of account holder
- Date opt-out notice signed by the employee

### 5.5.3 KiwiSaver KSH employer header record

The employer header record precedes the employee details record, and contains data about the employer.

Item description	Attribute	Field size	Default values/notes
Header record indicator	ALPHA	3	This must have a value of KSH to indicate the employer header record. Compulsory field.
Employer IRD number	IRD	9	A valid IRD number. Compulsory field. Validation rules are outlined in Appendix 8.1.
Employers contact name	ANUM	20	The name that IR will use to contact in event of any issues with the KiwiSaver onscreen form. Should be the person entering the KiwiSaver information on behalf of the employer. Must not contain embedded commas
Employer day phone number	ANUM	12	The phone number where the employer can be contacted during business hours.
Employer mobile number	ANUM	15	The mobile phone number of the employer.
IR form version number	NUM	4	0001

## 5.5.4 KiwiSaver KSD employment details record

This section contains the details of the employees who are being automatically enrolled, existing employees who are opting in, employees who are automatically enrolled and opting out, or employees who are simply opting out of KiwiSaver.

Item description	Attribute	Field size	Default values/notes
Detail record indicator	ALPHA	3	This must have a value of KSD to indicate the employee details record. Compulsory field.
Employee as identified on EMS	ANAM	20	The employees name as it appears on the EMS. Compulsory field.
Employee's IRD number	IRD	9	A valid IRD number. Compulsory field. Validation rules are outlined in Appendix 8.1.
Employee's eligibility	ALPHA	2	Indicates whether a new employee (who is subject to automatic enrolment) or an existing employee (who is choosing to opt in). Default value is 'blank' and indicates an opt-out advice only. Show 'NE' for a new employee, 'EE' for an existing employee.
Employee's title	ALPHA	6	Mr, Mrs, Miss Ms or other.
Employee's first names	ANAM	37	First name/s of employee. Must not contain embedded commas. * Compulsory field.
Employee's surname	ANAM	31	Surname of employee. Must not contain embedded commas. * Compulsory field.
Employee's address	ANUM	30	- Line one. Either street number or name can be entered or PO Box Number. The address must be the mailing address for the Employee where all KiwiSaver documents will be mailed. - Must not contain punctuation characters such as commas, full stops, speech marks, dashes etc. * Compulsory field.
Employee's address	ANUM	30	- Line two. Any RD number, the suburb and town/city are entered. The address must be the mailing address for the employee where all KiwiSaver documents will be mailed. - Must not contain punctuation characters such as commas, full stops, speech marks, dashes etc. * Compulsory field.
Employee's day phone number	ANUM	12	The phone number where the employee can be contacted during business hours.
Employee's mobile number	ANUM	15	The mobile phone number of the employee.
Employee's email address	EMAIL	60	The email address of the employee. Syntax must contain '@domain' string, and not contain double periods.

Item description	Attribute	Field size	Default values/notes
Has the employee opted out?	ALPHA	1	Indicates whether an employee who is subject to the automatic enrolment rules wishes to opt out of KiwiSaver. Show Y = 'Yes', if employee wishes to opt out. Show N = 'No', if employee is not opting out. Must be N if the employee's eligibility value is 'EE'.
Employment start date	DATE	8	The start date of the employee. Compulsory field if the opt-out indicator is 'Yes', otherwise must be blank. Must be in format CCYYMMDD.
Employee's bank account number	NUM	18	The bank account number for the employee if they are opting out of KiwiSaver (opt-out indicator ticked) and they have previously had KiwiSaver deductions that need refunding. Validated against bank/branch and check-digit algorithm (Section 8.4). Must be blank if the opt-out indicator is not ticked.
Name of account holder	ANAM	31	The name of the account holder for the bank account number given above. Must be blank if the opt-out indicator is not ticked. Must not be blank if the bank account number is not blank.
Date opt-out notice signed by the employee	DATE	8	The date on which the opt-out notice given to the employer (opt-out notice must be signed by the employee). Must be in format CCYYMMDD Must be blank if the opt-out indicator is not ticked.

\* Compulsory fields – these fields are compulsory and the information supplied to Inland Revenue if the employee has provided the information to the employer – Section 23(1) KSA

### Example KSH

```

KED_TEST_v1 - Notepad
File Edit Format Help
KSH,010010381,Jaegar Cena,04 987 6543,,0001
KSD,Mrs Edna Smith,123456882,EE,Mrs,Edna,Smith,100 Tonto St,Auckland,09 334-4556,,edna.smith@somewhere.co.nz,N,,,
KSD,Raygar Jae,123456947,EE,,Raygar,Jae,55 High Street,Wellington,04 456-9876,,raygar.jae@somewhere.co.nz,N,,,
KSD,Robert Joseph,123456971,EE,,Robert,Joseph,123 Main St,Wellington,04-234-2345,,Robert.joseph@somewhere.co.nz,N,,,
KSD,Jon Cena,123456963,NE,,John,Cena,26/A 220 Triangle Sq,Tawa Wellington,04232222,,,Y,20081031,01099800000030001,John Cena,20090501
KSD,Dave Batista,010006708,NE,,Dave,Batista,31 Krispee Avenue,Christchurch,03 887-7665,,,Y,20081110,010998000000970001,D Batista,20090501

```

#### 5.5.5 KiwiSaver Form Filing – Transfer Confirmation

All ir-File users are able to file KS forms individually or in a single batch file. When all fields have been validated and any errors corrected, the user will be taken to the File Transfer Confirmation Page. This page will display the confirmation as displayed in, regardless of whether the user is an employer or an agent: 3

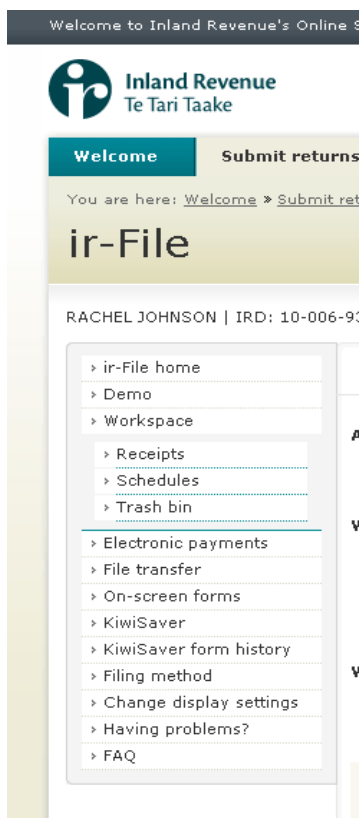
The fields in the 'Schedule Summary' table will contain the following information:



Field	Description	Example
IRD Number	The IRD number of the employer for whom the file was submitted.	10000629
Message	The confirmation message stating that the file transfer has been successful. Note: "F116" describes the message type. Where the KS form file transfer is successful, the F116 message is displayed.	Processed: F116 – The File Transfer was successful. To view a history of your KiwiSaver form submissions, please click on the KiwiSaver Form History link on the left hand menu.

### 5.5.6 KiwiSaver Form History

A history of the KiwiSaver forms submitted will be accessed via the 'KS Form History' link on the ir-File left hand navigation menu. This link will be located underneath the 'KiwiSaver' link, at the same level as the 'KS1' link and is indicated in the following screenshot:



### 5.5.7 KiwiSaver Form History List

When the user selects the KiwiSaver Form History link, a list of all forms submitted will be displayed. No header is required for this page. No differentiation between methods of submission (i.e. online form versus file upload) is required. No intermediate screen to allow agents to select an employer is required.

An indicative screen layout is displayed in the following screenshot:

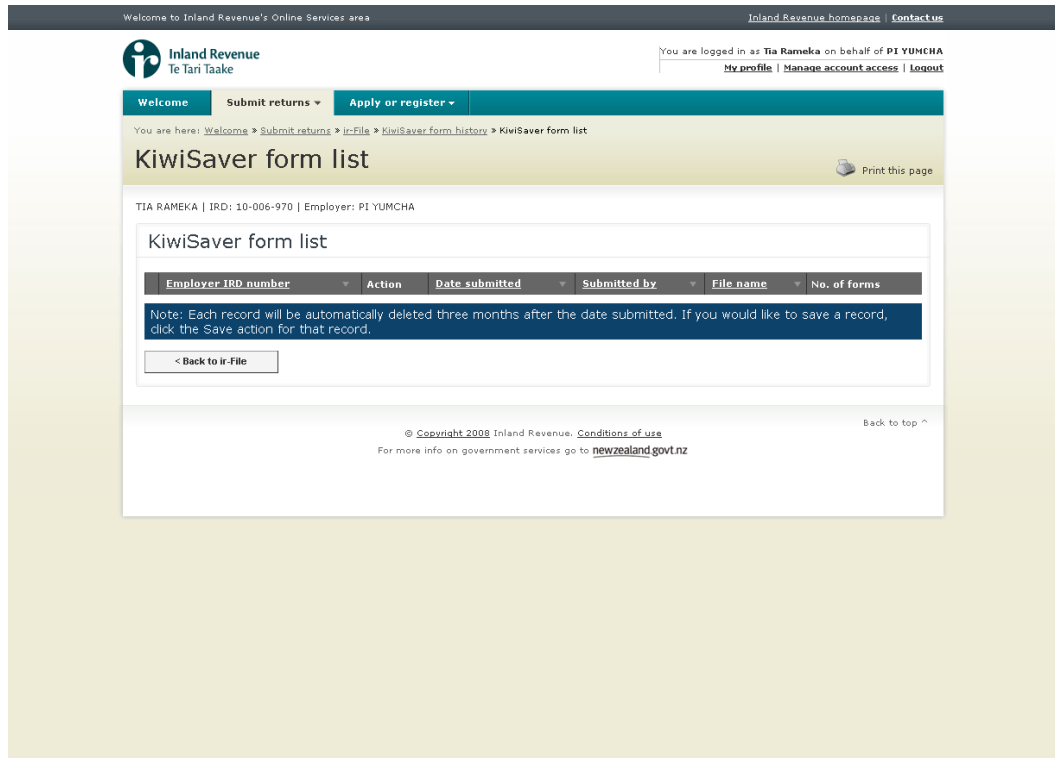


Figure 1: KS Form History List

At the bottom of the page, the following note will display:

*Note: Each record will be automatically deleted three months after the date submitted. If you would like to save a record, click the Save action for that record.*

## 6. Calculation Details

This section provides the table of tax codes (immediately below in section 6.1) and the details of the calculations required for specific tax codes (section 6.2 onwards).

The PAYE and SL calculation sections 3 & 4 in the old format document have been combined into one section to assist understanding and ensure rules are only stated once within this document.

Calculation accuracy - unless otherwise stated, calculations should be performed using six decimal places during the calculation process.

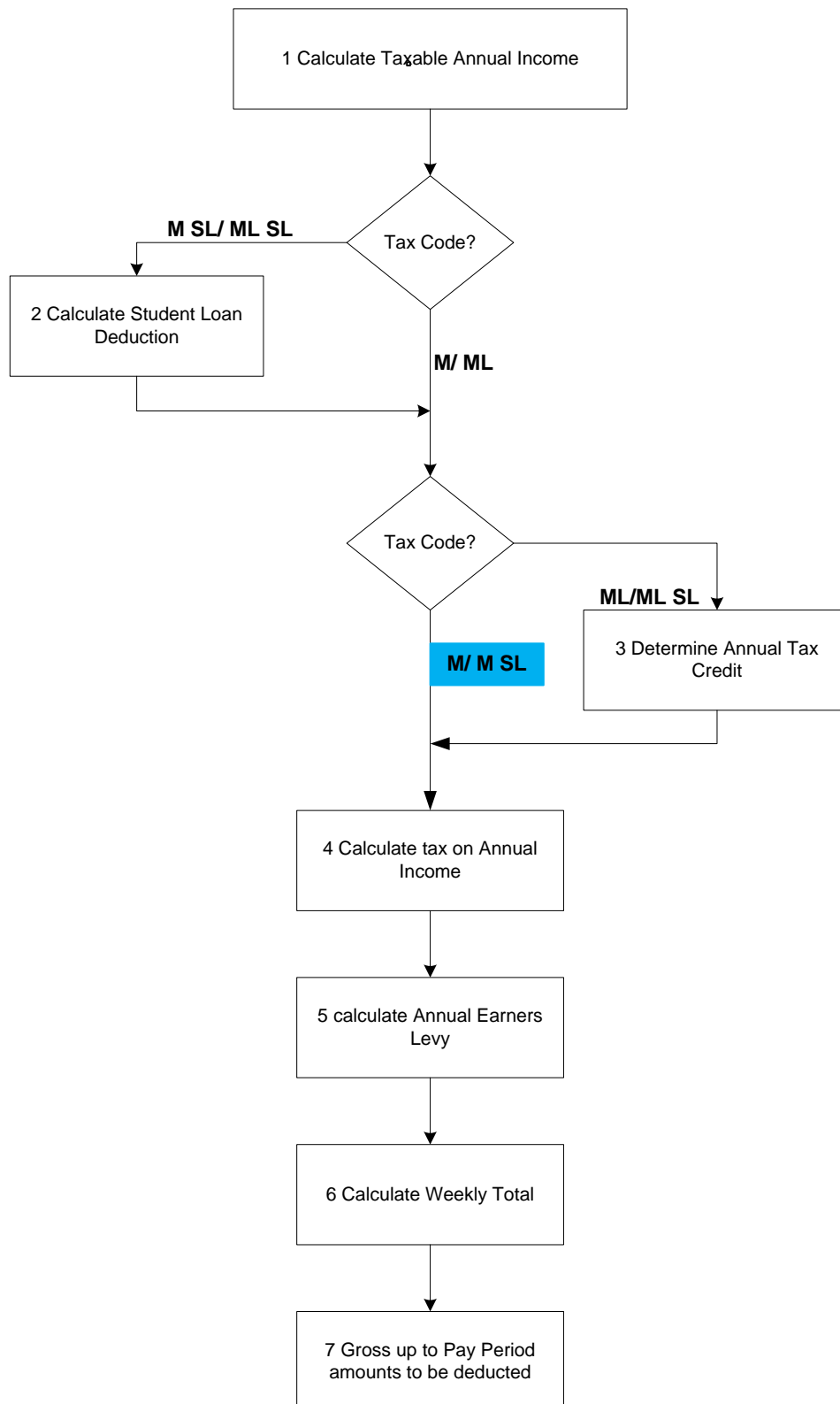
Gross amount less than \$1.00 - for the purposes of filing the EMS, enter \$1.00

### 6.1 Table of Tax Codes as at 1 April 2012

Employee declaration code for use on the Employer Monthly Schedule.	Description	Rate (c per \$)
<b>Income Tax Codes</b>		
M	Main income	Refer to section 6.2
ML	Main income < \$9,880	Refer to section 6.2
ME	Main income – Independent Earner Tax Credit (IETC)	Refer to section 6.2
NSW	Non-resident seasonal workers income. Flat tax. There are no thresholds	Refer to section 0
SB *	Secondary income * ≤ \$14,000	Refer to section 0
S *	Secondary income * ≤ \$48,000	Refer to section 0
SH *	Secondary income * \$48,001 to \$70,000	Refer to section 0
ST *	Secondary income * > \$70,000	Refer to section 0
CAE	Casual agricultural employees	Refer to section 6.7
EDW	Election day workers	Refer to section 6.7
<b>Student Loan (SL) codes</b>		
M SL	Main income with Student Loan	Refer to section 6.2
ML SL	Main income < \$9,880 with Student Loan	Refer to section 6.2
ME SL	Main Income with Student Loan & IETC	Refer to section 6.2
S SL *	Secondary income \$14,001 to \$48,000 with a Student Loan	Refer to section 6.2
SB SL	Secondary income * ≤ \$14,000 with Student Loan	Refer to section 0
SH SL *	Secondary income * \$48,001 to \$70,000 with Student Loan	Refer to section 0
ST SL *	Secondary income * > \$70,000 with SL	Refer to section 0
<b>Student Loan (SL) repayment codes</b>		
SLCIR	Commissioner of IR required deduction	Refer to section 3.2.1
SLBOR	Borrower additional deduction	Refer to section 3.2.2
<b>Other codes</b>		
ND	No notification rate	Refer to section 6.7
STC	Special tax code from IR 23	Refer to section 6.8
	Extra pay on primary income	Refer to section 6.9
	Extra pay on secondary income *	Refer to section 6.10

\* For the purpose of this table, the definition of the term 'Secondary income' amount is the total of all employment income from all sources (primary and secondary).

6.2 M, ML, M SL, and ML SL tax codes – PAYE calculations



Sequence	Task	Associated Rules
1	Calculate taxable income	Weekly, multiply by 52 Fortnightly, multiply by 26 Monthly, multiply by 12 Four Weekly, multiply by 13 DROP CENTS to truncate to whole dollar - no rounding required
2	Calculate Student Loan deduction.	See section 6.4
3	Calculate annual tax credits	If tax code not 'ML' or 'ML SL' code, tax credits equal \$0.00. If tax code 'ML' or 'ML SL' and income between \$1 and \$5,824 inclusive, multiply annual pay by 10.5%. If tax code 'ML' or 'ML SL' and income between \$5,825 and \$6,240 inclusive, tax credits are \$611.52. If tax code 'ML' or 'ML SL' and income between \$6,241 and \$9,880 inclusive, tax credits are equal to \$1,659.84 less (Annual pay multiplied by 16.8%). If tax code 'ML' or 'ML SL' and income greater than \$9,880, tax credits equal \$0.00. Do not round this figure.
4	Calculate tax on annual income.	If annual income is between \$1 and \$14,000 inclusive, multiply annual income by 10.5%. If annual income is between \$14,001 and \$48,000 inclusive, multiply annual income by 17.5% and subtract \$980. If annual income is between \$48,001 and \$70,000 inclusive, multiply annual income by 30% and subtract \$6,980. If annual income is greater than \$70,000, multiply annual income by 33% and subtract \$9,080. Do not round this figure.
5	Calculate annual earners' levy.	If annual income less than \$113,768.00, multiply annual income by 1.70%. If annual income is equal to or more than \$113,768.00, annual earners' levy equals \$1,934.05. Do not round this figure.
6	Child tax credit.	Child tax credit of \$245.70
7	Calculate total annual tax amount payable.	(Annual tax) plus (annual earners' levy) less (annual tax credits) or child tax credit) whichever is greater. Do not round this figure.
7.1	Calculate total weekly tax amount payable.	Divide total annual tax amounts payable by 52.
7.2	Truncate amounts to whole cents e.g. \$75.678 becomes \$75.67.	

Sequence	Task	Associated Rules
8	<p>Calculate other total tax amounts to be deducted based on the respective pay frequency.</p> <p>For example, converting a total weekly tax amount payable of \$75.67 to total monthly tax amount payable -</p>	<p>Multiply the total weekly tax amount payable by 52 and divide by number of pays per year:</p> <p>Monthly = 12  Four-weekly = 13  Fortnightly=26</p> <p>Multiply \$75.67 by 52 divide by 12 equals \$327.903333.  \$327.903333 becomes \$327.90.</p>
8.1	Truncate figures to whole cents e.g. \$327.903333 becomes \$327.90.	

**6.2.1 Employing a Student PAYE calculation rules****Primary and secondary school students**

If primary or secondary school students work for you, tax them as follows:

Weekly earnings of less than \$45:

School children whose total earnings from all employment are less than \$45 a week don't have to complete an IR 330. Do not deduct PAYE, KiwiSaver and/or earners' levy from their earnings or include them on your employer monthly schedule (IR 348). However, you still have to keep wage records for them.

Weekly earnings more than \$45 a week but expect to earn less than \$2340 annually:

Schoolchildren whose total earnings are less than \$2,340 a year don't need to fill in an IR 330.

Do not deduct PAYE, KiwiSaver and/or earners' levy from their earnings or include them on your employer monthly schedule (IR 348).

Weekly earnings more than \$45 a week, \$2,340 a year, or more than \$2,340 annually:

Schoolchildren whose total earnings are greater than \$2340 a year must fill in an IR 330.

Deduct PAYE and KiwiSaver (if required) and earners' levy from their gross payment.

Refer to the Employers Guide IR335 page 5, to determine whether the child is an employee.

From 1 April 2011 children are entitled to a tax credit of \$245.70 each year if the income is over \$2,340. If the income is less than \$2,340 the tax credit is 10.5% of the income. If a child has used the M tax code on the IR 330, reduce the PAYE to be deducted by \$4.72 each week. Schoolchildren under 19 don't qualify to use the ML tax code.

**University, polytechnic and other students**

Deduct the PAYE in the usual way. An IR 330 must be completed. Some students may use an M SL, ME SL, S SL, SH SL or ST SL code. You must then make student loan deductions along with their PAYE.

[Employers Guide - [IR335 - Part 5 - Special types of workers - page 51](#)]

Calculation of child tax credit example:

Maximum earnings tax free = \$2,340, low tax rate = 10.5%

Therefore annual child tax credit = \$2340 x 10.5% = \$245.70

Weekly rebate = \$245.70 divided by 52 = \$4.725

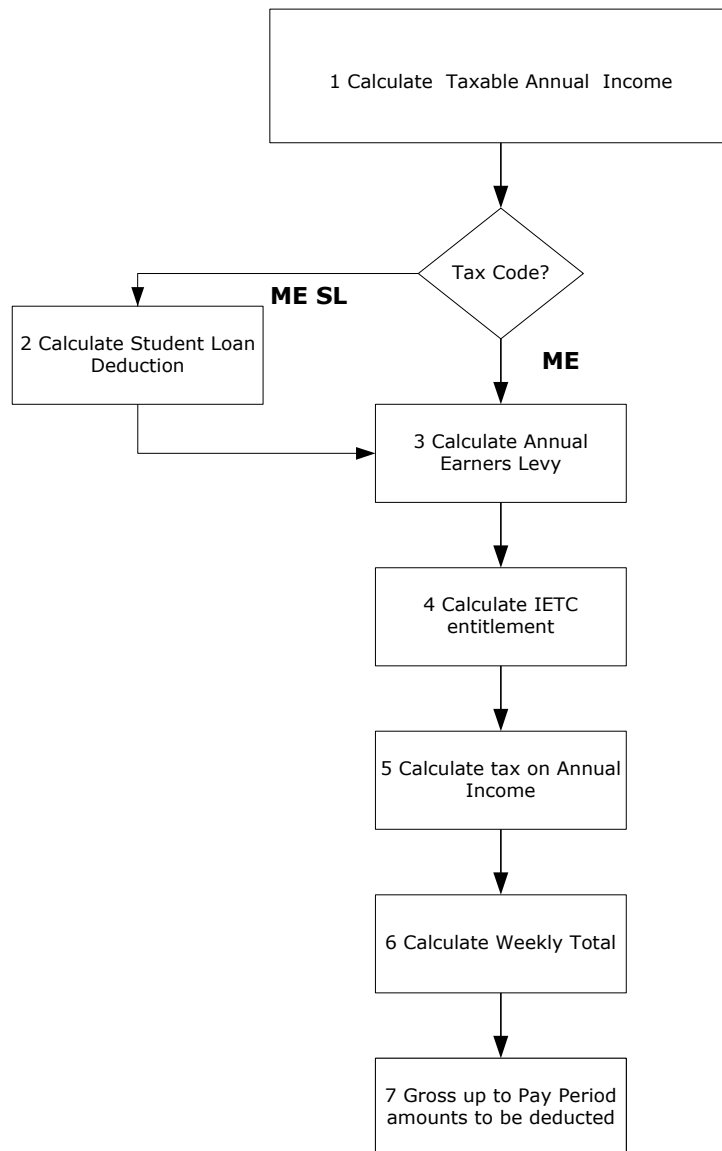
Truncate to 2 decimal places = \$4.72 per week.

Using this formula, the rebate for different pay periods is as follows:

Pay Period Frequency	Number of periods in the year	Rebate in pay
Weekly	52	\$4.72
Fortnightly	26	\$9.45
Bi-monthly	24	\$10.23
Four Weekly	13	\$18.90
Monthly	12	\$20.47

Truncate result to two decimal points.

6.3 ME/ME SL Tax Codes – PAYE calculations

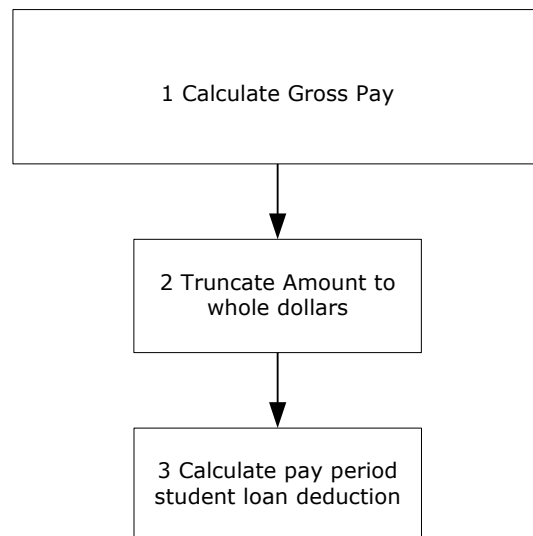


Sequence	Task	Associated Rules
1	Calculate annual income from pay period.	Weekly, multiply by 52 Fortnightly, multiply by 26 Monthly, multiply by 12 Four Weekly, multiply by 13 DROP CENTS, to truncate to whole dollar - no rounding required.
2	Calculate Student Loan Deduction.	See section 6.4
3	Calculate annual ACC Earners' levy.	If annual pay less than \$113,768.00, multiply annual pay by 1.70%. If annual pay is equal to or more than \$113,768.00, annual earners' levy equals \$1,934.05. Do not round this figure.



Sequence	Task	Associated Rules
4	Calculate Independent Earner Tax Credit.	<p>If annual income is between \$1 and \$23,999 tax credit equals \$0.00.</p> <p>If annual income is between \$24,000 and \$44,000 inclusive, the tax credit is \$520.</p> <p>If annual income is between \$44,001 and \$47,999 inclusive, the tax credit is equal to \$520 less <math>((\text{Annual income} - \\$44,000) \times 0.13)</math>.</p> <p>If annual income is equal to or greater than \$48,000 the tax credit equals \$0.00.</p> <p>Do not round this figure.</p>
5	Calculate annual tax.	<p>If annual pay is between \$1 and \$14,000 inclusive, multiply annual pay by 10.5%.</p> <p>If annual pay is between \$14,001 and \$48,000 inclusive, multiply annual pay by 17.5% and subtract \$980.</p> <p>If annual pay is between \$48,001 and \$70,000 inclusive, multiply annual pay by 30% and subtract \$6,980.</p> <p>If annual pay is greater than \$70,000, multiply annual pay by 33% and subtract \$9,080.</p> <p>Do not round this figure.</p>
6	Calculate annual total amounts to be deducted.	<p>(Annual tax) plus (annual earners' levy) less (Independent Earner Tax Credit)</p> <p>Do not round this figure.</p>
6.1	Calculate weekly total amounts to be deducted.	Divide annual total amounts to be deducted by 52
6.2	Truncate amounts to whole cents e.g. \$75.678 becomes \$75.67.	
7	Gross weekly total amounts to be deducted figure to pay period.	<p>Multiply weekly figure by 52 and divide by number of pays per year:</p> <p>Monthly = 12 Four-weekly = 13 Fortnightly=26</p> <p>for example, to gross weekly amount of \$75.67 to monthly, multiply by 52 / 12 giving <math>\\$75.67 * 52 / 12</math> equals \$327.903333.</p>
7.1	Truncate figures to whole cents e.g. \$327.903333 becomes \$327.90.	

6.4 M SL, ML SL and ME SL Tax Code – Student Loan calculations



Sequence	Task	Associated Rules
1	Calculate employee’s pay amount for pay period.	
2	Truncate amounts to whole dollars, so \$457.89 becomes \$457.	
3	Calculate pay period Student Loan repayment threshold.	
3.1	Divide threshold (\$19,084) by number of pays per year.	Weekly threshold is \$367, fortnightly \$734, four-weekly \$1,468 and monthly \$1,590.33.
3.2	Calculate pay period Student Loan deduction.	<p><b>No special deduction rate certificate</b>                      If pay period pay is less than pay period student loan repayment threshold, then deduction is \$0.00.                      If pay period pay is more than pay period student loan repayment threshold then deductions equal 10% of ((pay period pay) less (pay period student loan repayment threshold)).</p> <p><b>If a borrower has provided a special deduction rate certificate</b>                      If pay period pay is less than pay period student loan repayment threshold, then deduction is \$0.0.                      If pay period pay is more than pay period student loan repayment threshold then deductions equal (percentage provided in the certificate) * ((pay period pay) less (pay period student loan repayment threshold)).</p>
3.3	Truncate pay period student loan deduction to whole cents e.g. \$56.456 becomes \$56.45.	Note: Calculate PAYE as per PAYE calculations above (Sections 6.2 and 6.3)

6.5 NSW – Non-resident Seasonal Worker calculation

Non-resident Seasonal Workers (also known as Non-resident Seasonal Workers) are taxed at a flat rate. There are no thresholds and there are no tax credits to apply. The total to pay also includes the ACC earner’s levy at 1.70% from each pay period (0.0170). The flat rate is 10.5% (0.105).

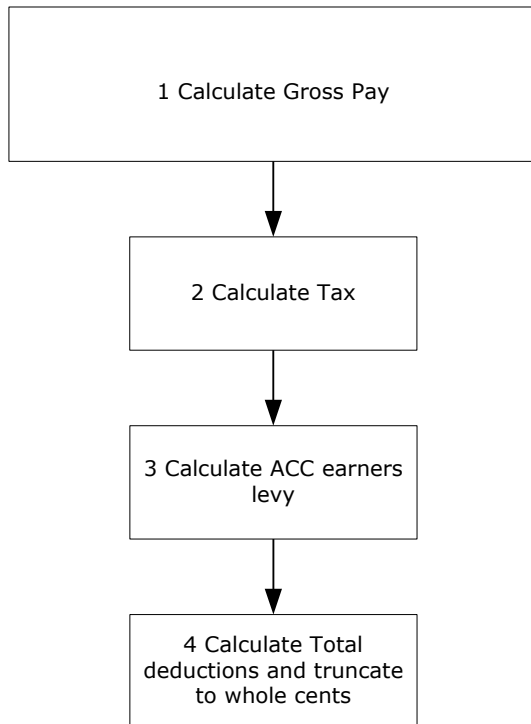
The tax code is NSW, as specified in the Taxation (International Taxation, Life Insurance, and Remedial Matters) Act 2009.

If the NSW tax code is used then the EMS line for the employee cannot contain:

- KiwiSaver contributions
- Student Loan Repayments

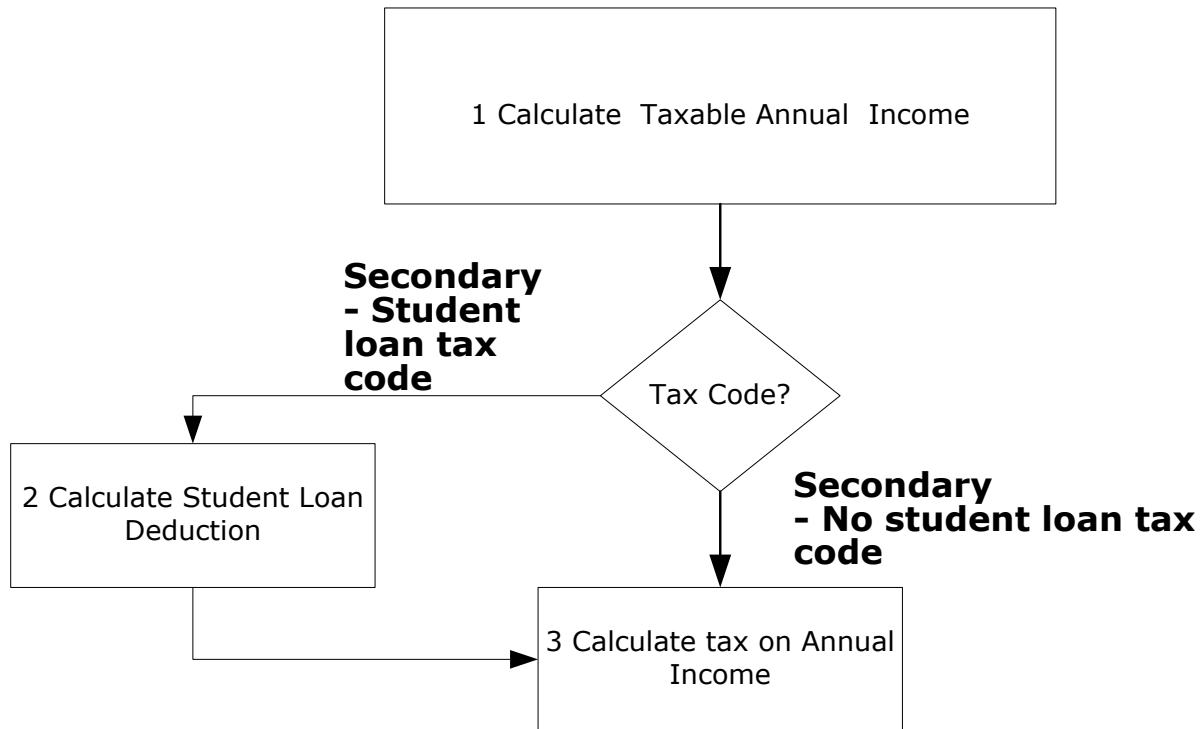
As a non-resident the worker is not eligible to enrol in KiwiSaver, nor are they subject to student loan repayments.

Child Support payments can be deducted.



Sequence	Task	Associated Rules
1	Calculate employee’s pay amount for pay period.	
2	Calculate amounts to be deducted.	= (Amounts to be deducted) + (ACC earner’s premium). 0.105 + 0.0170 = 0.122.
3	Truncate figures to whole cents.	For example, \$250.913333 becomes \$250.91.

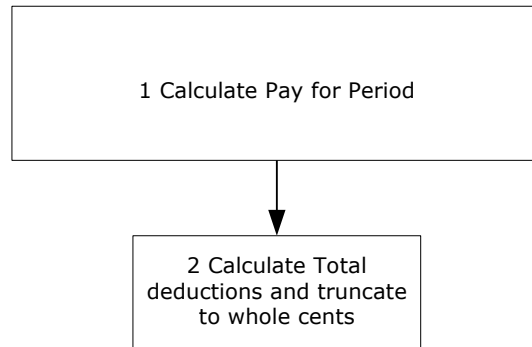
6.6 SB, S, SH, ST and SB SL, S SL, SH SL, ST SL Tax Codes – PAYE and SL calculations



Sequence	Task	Associated Rules
1	Calculate employee’s pay amount for pay period.	
2	Truncate pay period amount to whole dollars, \$457.89 becomes \$457. Note- this truncation is only for student loans calculation.	
3	Calculate student loan deductions.	<p><b>No special deduction rate certificate</b> Multiply pay period amount by 10%.</p> <p><b>If a borrower has provided a special deduction rate certificate</b> Multiply pay period amount by the percentage provided in the certificate.</p>
3.1	Truncate amount to whole cents e.g. \$45.789 becomes \$45.78.	

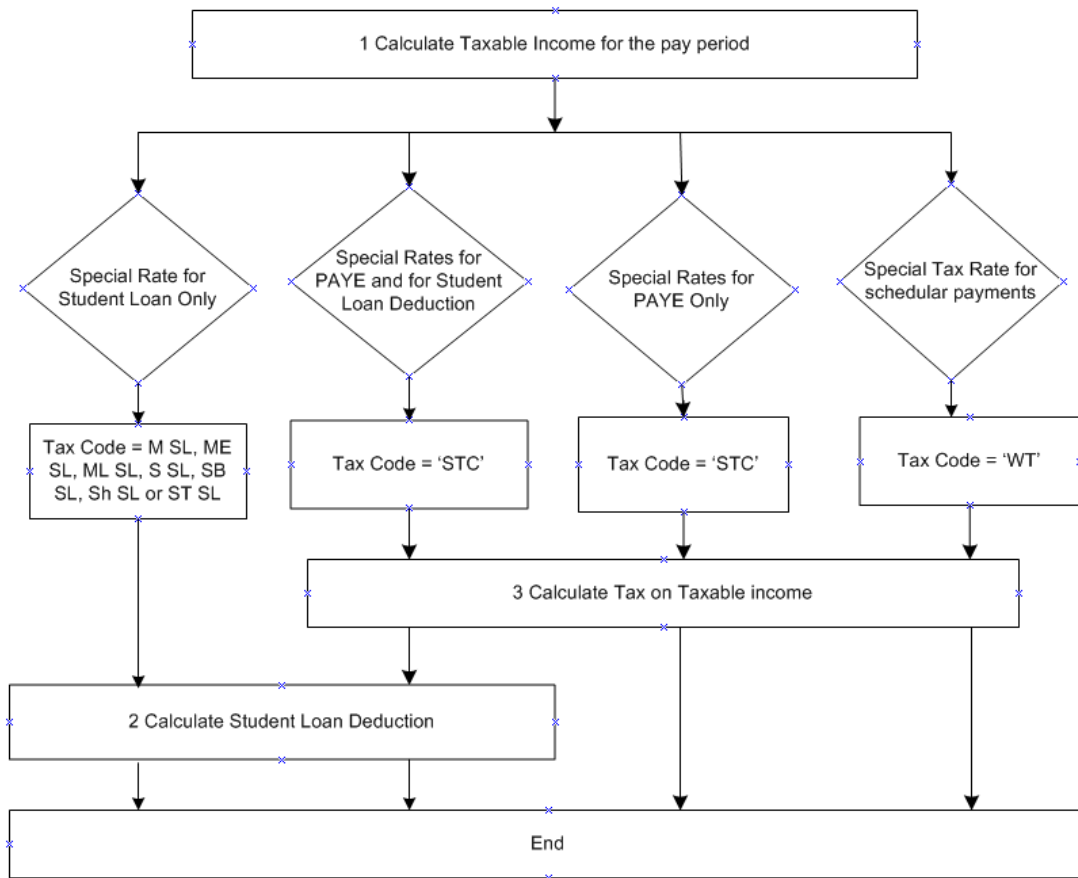
4	<p>Calculate total amounts to be deducted. Note – for PAYE calculation do not truncate the pay period amount.</p>	<p>For SB and SB SL multiply pay period amount by 12.20%  <math>\{ (0.105 + \text{Earners Levy Rate}) * \text{Pay} = (0.105 + 0.0170) * \text{Pay} = 0.122 * \text{Pay} \}</math></p> <p>For S and S SL multiply pay period amount by 19.20%.  <math>\{ (0.175 + \text{Earners Levy Rate}) * \text{Pay} = (0.175 + 0.0170) * \text{Pay} = 0.192 * \text{Pay} \}</math></p> <p>For SH and SH SL multiply pay period amount by 31.70%.  <math>\{ (0.30 + \text{Earners Levy Rate}) * \text{Pay} = (0.30 + 0.0170) * \text{Pay} = 0.317 * \text{Pay} \}</math></p> <p>For ST and ST SL multiply pay period amount by 34.70%.  <math>\{ (0.33 + \text{Earners Levy Rate}) * \text{Pay} = (0.33 + 0.0170) * \text{Pay} = 0.347 * \text{Pay} \}</math></p> <p>(All multiple pay period amounts above include tax and earners' levy).</p>
4.1	Truncate amount to whole cents e.g. \$102.368 becomes \$102.36.	

6.7 EDW, CAE and ND (No Notification) tax codes – PAYE calculations



Sequence	Task	Associated Rules
1	Calculate employee's pay amount for pay period.	Include ALL taxable allowances. Exclude Non-taxable allowances and Extra Pays
2	Calculate total amounts to be deducted.	<p>EDW - Multiply pay period amount by 19.20% (includes tax and EL)  <math>\{ (0.175 + \text{Earnings Levy Rate}) * \text{Pay} = (0.175 + 0.0170) * \text{Pay} = 0.192 * \text{Pay} \}</math></p> <p>CAE - Multiply pay period amount by 19.20% (includes tax and EL)  <math>\{ (0.175 + \text{Earnings Levy Rate}) * \text{Pay} = (0.175 + 0.0170) * \text{Pay} = 0.192 * \text{Pay} \}</math></p> <p>ND - Multiply pay period amount by 46.70% (includes tax and EL)  <math>\{ (0.45 + \text{Earnings Levy Rate}) * \text{Pay} = (0.45 + 0.0170) * \text{Pay} = 0.467 * \text{Pay} \}</math></p>
3	Truncate amount to whole cents e.g. \$102.368 becomes \$102.36.	

6.8 Special Tax Code/Special Deduction Rate – flat rate PAYE and flat rate above repayment threshold student loan calculations



There is an option to have tax and/or student loan repayments deducted at a flat rate. Student loan deductions will take into consideration the repayment threshold – the flat rate will be on income above the repayment threshold.

The special tax code/special deduction rate certificate (IR 23) shows a figure to deduct PAYE at the rate of XX cents per dollar. (XX =>rate on certificate) This amount includes earners’ levy of 1.70%.

Where the person also has a student loan the certificate will provide the deduction rate to deduct student loan deductions. This will be anything from 0% – 10%. Where the employment is the main employment, the rate will apply to income above the pay period repayment threshold, e.g. \$367 per week. Where the income is from secondary employment the threshold will not apply.

Note: Student loan deductions cannot be made from schedular payments (Tax Code “WT”).

Special Tax Code – PAYE calculations

Sequence	Task	Associated Rules
1	Calculate employee’s pay amount for pay period.	
2	Calculate total amounts to be deducted.	Multiply pay period amount by rate on the certificate.
3	Truncate amount to whole cents.	

## Special Tax Code – Student Loan calculations

Sequence	Task	Associated Rules
1	Calculate employee's taxable income for the pay period.	
2	Calculate student loan Deduction. Truncate amount to whole cents.	Multiply pay period amount by rate on the certificate. The certificate will advise whether the rate is applied to every dollar, or only every dollar above the repayment threshold e.g. \$367 a week.
3	Calculate student loan Deduction amount to be deducted. Truncate amount to whole cents.	Multiply pay period amount by Student Loan Repayment rate on certificate.
4	Calculate PAYE / WT amount to be deducted. Truncate amount to whole cents.	Multiply pay period amount by the PAYE / WT rate on IR 23.

## 6.8.1 Special Deduction Rate (SDR) and Special Tax Codes (STC)

From 1 April 2012, a borrower may have a special deduction rate (SDR) applied to their salary or wage income. This can be used where the borrower is in hardship, or where they have more than one job and earn under the pay period repayment threshold in their main job. Prior to 1 April 2012, a borrower needed a special tax code (STC) in these situations.

An SDR is any standard deduction rate less than 10%. No SDR can be greater than 10%. A borrower wanting deductions of more than 10% should be using SLBOR – see 3.2.2 above.

A borrower can apply for an SDR from March 2012 if they want the SDR to apply from the first pay in April. The SDR cannot be applied retrospectively. If the employee's pay period starts before 1 April 2012 but ends on or after 1 April 2012 then these new rules apply.

Borrowers will be provided with a Special Deduction Rate certificate which they provide to their employer.

The certificate will continue to advise which tax code/SL repayment code (e.g. S SL) the employer should use, the rate at which the SL deductions are to be made, and the period that the SDR should apply to. The SDR will be a whole percentage only (e.g. 3% or 3 cents in the dollar), calculated to two decimal places (e.g. \$0.03).

The Special Deduction Rate Certificate may or may not require the pay period threshold to be used. For some tax codes the correct treatment can be inferred- e.g. "M SL" and "S SL" codes provide sufficient information as to whether or not the threshold is to be used.

The main difference that employers will see is the reduced period for which an SDR is applied. The certificate will provide start and end dates for the SDR, usually three months. After the end date standard 10% deductions should resume. Refer: Employer's guide IR335, page 7.



**Special deduction rate and SLCIR –**

If an SDR is granted to a borrower, the Commissioner will cancel any SLCIRs that a borrower may have, regardless of employer.

**Special Deduction Rate and SLBOR –**

If a borrower currently has an SDR rate of 8% for their secondary employment and also has additional deductions using the SLBOR repayment code of a set amount of \$20.00 a week, the borrower would have standard deductions using a SL repayment code (e.g. S SL) at the rate of 8%, and in addition has an extra \$20 deducted for student loan using the SL repayment code SLBOR.

Borrowers can continue to apply for an STC in respect of income tax. Where the borrower is entitled to reduced income tax and SL deductions, a Special Tax Code Certificate will be issued. The certificate will continue to advise employers to use the STC tax code, the rate at which income tax should be deducted, the rate for SL deductions, and the period that the certificate should apply to.

The following examples show what happens when a borrower has an STC or SDR.

**Example One**

The borrower has been granted an STC due to hardship, and has reduced SL and tax rates for the full year. The STC is valid from 1 April 2012 to 31 March 2013, with tax at a flat 20% rate and SL deductions at 8%.

The STC certificate will state:

- that the applicable period is the whole year (1 April 2012 to 31 March 2013)
- that the STC tax code must be used
- that the amount of tax will be calculated at 20% of earnings
- that SL deductions will be calculated at 8%, but note:
  - if this is the borrower's main income SL deductions will be 8% above the repayment threshold, which is 8% of earnings in excess of \$367 per week.
  - if this is their secondary employment, then SL deductions will be 8% of every dollar.
  - the certificate will state which of these scenarios applies.

**Example Two**

A borrower applies for an SDR for their secondary employment, because they have an unused repayment threshold from their main employment. They do not currently have a reduced rate for tax.

The SDR certificate will state:

- that the SDR period is from 1 July 2012 to 30 September 2012
- that the tax code is S SL (or appropriate secondary employment SL) tax code
- that SL deductions will be at the rate of 8% in every dollar (must be for every dollar of earnings as this is secondary income).

In addition, the SDR certificate will state:

- that from 1 October 2012 to 31 March 2013 the tax code will be S\_SL (or other secondary employment SL code)
- that SL deductions will be at the rate of 10% in every dollar of earnings (must be for every dollar as this is secondary income).

**Example Three**

A borrower has an SDR in place for their second job, applicable from 1 July 2012 to 30 September 2012. They then apply for a reduced tax rate for that job.

The original Special Deduction Rate certificate (see example two above) will be replaced with a Special Tax Code certificate. In this example the Special Tax Code certificate applies from 2 August 2012.

The STC certificate would state -

- for the period 2 August 2012 to 30 September 2012:
  - the tax code will be STC
  - tax will be calculated at the rate of 20% in every dollar of earnings
  - SL deductions will be at the rate of 8 (as this is secondary employment it will be 8% of every dollar earned, and the certificate will make this clear).
- for the period 1 October 2012 - 31 March 2013:
  - the tax code will be STC
  - tax will be calculated at a rate of 20%
  - SL deductions will be at the standard rate of 10% (as this is secondary employment it will be 10% of every dollar earned, and the certificate will make this clear).

**Example Special Deduction Rate (certificate):****Student loan special deduction rate certificate**

Inland Revenue  
Website: [www.ird.govt.nz](http://www.ird.govt.nz)  
Telephone: 0800 377 772

Date of issue: 01 May 2012

IRD number: XX-XX-377  
Certificate Number: 21000079XXXX

**This certificate is valid from 01 May 2012 to 31 March 2013**

Dear Employer

For your employee XXXXXXXX XXXXXXXX, IRD Number XXXXXXXX, you are authorised to:

**From 01 May 2012 to 30 June 2012**

- use tax code S SL
- make student loan deductions at the special deduction rate of 6 cents in each dollar of gross income

**From 01 July 2012 to 31 March 2013**

- use tax code S SL
- make student loan deductions at the standard deduction rate of 10 cents in each dollar of gross income

This replaces any other student loan deduction rate or repayment deduction exemption certificate we have previously issued for the same period for the above employee.

Your employee must give you a new certificate when this one expires. If they don't, you'll need to make student loan deductions at the standard deduction rate of 10 cents in each dollar of gross income.

Please keep this certificate with your employee's wage records.

Yours faithfully,

**Heather Daly**

Manager, Inland Revenue

**Please note - it is an offence to alter this certificate.**

### 6.8.2 Repayment deduction exemption

From April 2012 all borrowers must use a SL repayment code (unless exempt).

A borrower who is a full time student, earning above the pay period repayment threshold, but below the annual repayment threshold, may be eligible to be exempt from SL repayment deductions. This means they do not also use the SL repayment code in combination with their tax code.

Borrowers can apply from March 2012 so they can have the exemption apply from the first pay in April. The exemption cannot be applied retrospectively.

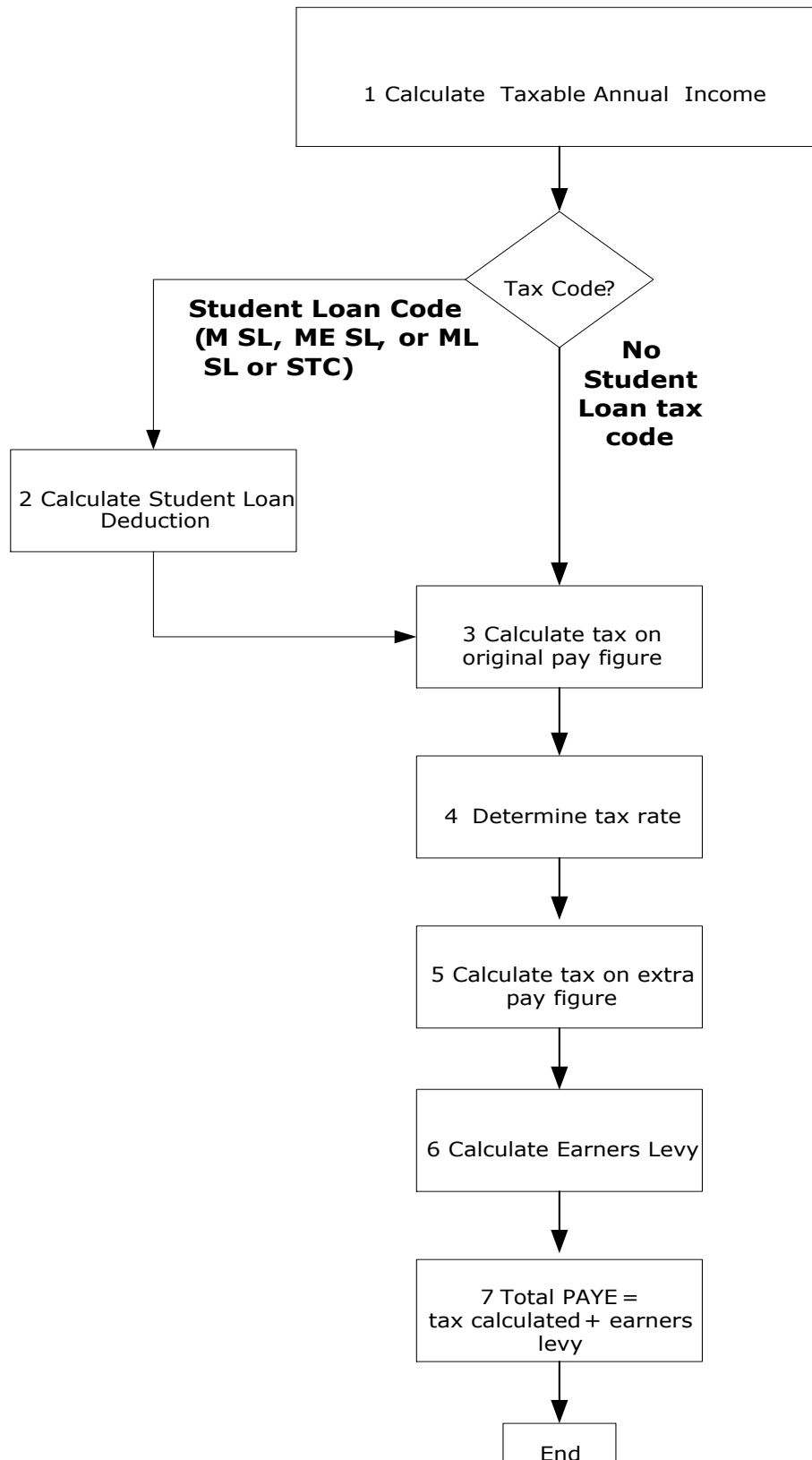
If the borrower is exempt, Inland Revenue will provide the borrower with an exemption certificate, which they provide to their employer(s).

The certificate will advise that they are not required to have SL deductions, which tax code (e.g. M instead of MSL) they should use, and the period for which the exemption will apply. For many borrowers this will be the complete tax year.

The certificate will also provide instructions as to which tax code should be applied when the exemption ceases – e.g. MSL. [Refer: Employer's guide IR335 - page 7.](#)

## 6.9 Extra pay – Primary Income

PAYE and Student Loan calculations



## Extra pay – PAYE calculations – Primary Income

Sequence	Task	Associated Rules
1	Calculate extra pay amount.	Include lump sum payments which are paid as annual or special bonuses, retiring or redundancy payments, gratuities or back pay. Exclude non-taxable amounts.
2	Calculate Student Loan.	Use extra pay amount from 1.
2.1	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	
2.2	Calculate student loan deductions.	<p><b>No special deduction rate certificate.</b> If pay period pay is less than student loan pay period repayment threshold, then deduction is \$0.00.</p> <p>If pay period pay is more than student loan pay period repayment threshold then deductions equal 10% of ((pay period pay) less (student loan pay period repayment threshold)).</p> <p>If the borrower is on an STC the threshold may or may not apply - this will be clarified on the certificate.</p> <p><b>If a borrower has provided a special deduction rate certificate.</b> If pay period pay is less than student loan pay period repayment threshold, then deduction is \$0.00.</p> <p>If pay period pay is more than student loan pay period repayment threshold then deductions equal the (percentage provided in the certificate) ((pay period pay) less (student loan pay period repayment threshold)).</p>
2.3	Truncate amount to whole cents e.g. \$45.789 becomes \$45.78.	
3	Calculate Tax on Original Pay figure.	
3.1	Calculate four-weekly gross-up.	<p>Total the pay <b>days</b> for the pay periods covering the last four weeks and gross-up to a yearly figure.</p> <p>Weekly pay period: total the four one- weekly pays and multiply by 13. Fortnightly pay periods: add last two pays and multiply by 13. Monthly pay periods: multiply pay by 12. Add extra pay to four-weekly gross-up giving 'grossed amount'.</p>
3.2	Drop cents from the annualised income (truncate to whole dollars), e.g. \$14,000.90 becomes \$14,000.	

4	Determine Tax rate	
4.1	If the employee has elected to have extra pays deducted at a higher rate, the tax rate is either 17.5%, 30% or 33%, whichever they have elected.	
4.2	If the grossed amount is greater than \$70,000.	Tax rate is 33%.
4.3	If the grossed amount is greater than \$48,000 but less or equal to \$70,000.	Tax rate is 30%. Note: They can elect to deduct at 33%.
4.4	If the grossed amount is greater than \$14,000 but less than or equal to \$48,000.	Tax rate is 17.5%.
4.5	If the grossed amount is less than or equal to \$14,000.	Tax rate is 10.5%
4.6	If tax rate was 10.5%.	Record a flag showing extra pay deducted at the low rate. This would require a tick on the printed EMS and a '1' on the electronic file.
5	Calculate tax amounts to be deducted.	
5.1	Multiply the extra pay amount by the tax rate determined.	From step above- will be 10.5%, 17.5%, 30% or 33%. Do not round this figure.
6	Calculate Earners Levy.	
6.1	If the extra pay is redundancy or retirement allowance.	Earners' levy is \$0.00.
6.2	If the grossed up amount exceeds \$113,768.	The maximum earners' levy is \$1934.05 Please refer to example below.
6.3	If the grossed up amount does not exceed \$113,768.	Earners' levy is 1.70% multiplied by the extra pay. Do not round this figure.
7	Calculate total tax to be deducted.	
7.1	Add earners' levy and tax deducted.	Do not round this figure.
7.2	Truncate amount to whole cents.	

**Example** - if the bonus payment is \$15,000 and the gross earnings for the last four weeks were \$7,700 -  
 The last four weeks' income  $\$7,700 \times 13 =$  annual income  $\$100,100$ .  
 The total earnings  $\$100,100$  (including bonus) + \$15,000 amounts to  $\$115,100$ .  
 The maximum earners' levy threshold is  $\$113,768$ .  
 $AI \$115,100 - \$113,768 = \$1,332$ .  
 Therefore earnings in excess of earners' levy threshold are  $\$1,332$ .

Earners' levy is to be calculated as follows -  
 $(\$15,000 - \text{amount in excess } \$1,332) * 1.70\% = \$232.35$

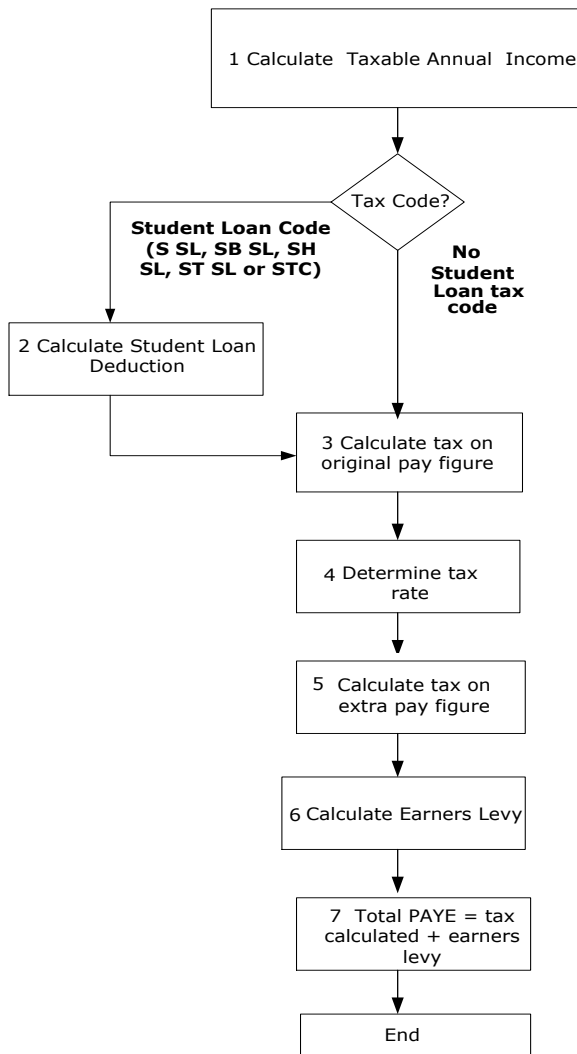
In this example the tax to be deducted would be at 33% since the grossed up annual income exceeds \$70,000 giving \$4,950.00.

The link below is a useful reference:

<http://www.ird.govt.nz/payroll-employers/make-deductions/staff-benefits/bonuses/emp-ded-bonus-lump-sum.html>

6.10 Extra pay - Secondary Income

PAYE and student loan calculation



Sequence	Task	Associated Rules
1	Calculate extra pay amount.	Include lump sum payments which are paid as annual or special bonuses, retiring or redundancy payments, gratuities or back pay. Exclude non-taxable amounts.
2	Calculate Student Loan (only for S SL, SB SL, SH SL, & ST SL).	Use extra pay amount from 1.
2.1	Truncate pay period amount to whole dollars, \$457.89 becomes \$457.	



2.2	Calculate student loan deductions.	<p><b>No special deduction rate certificate.</b> Multiply pay period amount by 10%.</p> <p><b>If a borrower has provided a special deduction rate certificate.</b> Multiply pay period amount by the percentage provided on the certificate.</p>
2.3	Truncate amount to whole cents, e.g. \$45.789 becomes \$45.78.	
3	Calculate Tax on Original Pay figure.	
3.1	Calculate four-weekly gross-up.	<p>Total the pay <b>days</b> for the pay periods covering the last four weeks and gross-up to a yearly figure.</p> <p>Weekly pay period: total the four one-weekly pays and multiply by 13.</p> <p>Fortnightly pay periods: add last two pays and multiply by 13.</p> <p>Monthly pay periods: multiply pay by 12.</p> <p>Add extra pay to four-weekly gross-up</p> <p>Add income threshold for Secondary tax code to four weekly and extra pay amounts to give grossed amount.</p>
3.2	Drop cents from the annualised income (truncate to whole dollars), e.g. \$14,000.90 becomes \$14,000.	
4	Determine Tax rate.	
4.1	If the employee has elected to have extra pays deducted at a higher rate, the tax rate is either 17.5%, 30% or 33%, whichever they have elected.	
4.2	If the grossed amount is greater than \$70,000.	Tax rate is 33%.
4.3	If the grossed amount is greater than \$48,000 but less than or equal to \$70,000.	Tax rate is 30%. Note: They can elect to deduct at 33%.
4.4	If the grossed amount is greater than \$14,000 but less than or equal to \$48,000.	Tax rate is 17.5%.
4.5	If the grossed amount is less than equal to \$14,000.	Tax rate is 10.5%.

4.6	If tax rate was 10.5%.	Record a flag showing extra pay deducted at the low rate. This would require a 'tick' on the printed EMS and a '1' on the electronic file.
5	Calculate tax amounts to be deducted.	
5.1	Multiply the extra pay amount by the tax rate determined.	From step above- will be 10.5%, 17.5%, 30% or 33%. Do not round this figure.
6	Calculate Earners Levy.	
6.1	If the extra pay is redundancy or retirement allowance.	Earners' levy is \$0.00.
6.2	If the grossed up amount exceeds \$113,768.	The maximum earners' levy is \$1,934.05.
6.3	If the grossed up amount does not exceed \$113,768.	Earners' levy is 1.70% multiplied by the extra pay. Do not round this figure.
7	Calculate total tax to be deducted.	
7.1	Add earners' levy and tax deducted.	Do not round this figure.
7.2	Truncate amount to whole cents.	

Example- a tax payer using the SH tax code receives a bonus payment of \$1000 and the gross earnings for the last four weeks were \$500.

- The last four weeks income ( $\$500 \times 13$ ) + the bonus \$1000 = annual income from secondary source \$7,500.
- The minimum income threshold for the SH tax code is \$48,001.
- Add the annual income from the secondary source \$7,500 + income threshold for SH tax code \$48,001 = \$55,501.
- The correct tax rate for the bonus would be 30% since the grossed up income is greater than \$48,000 and less than \$70,000.
- ACC earner levy would be calculated as the bonus  $\$1000 * 0.0170$ .

#### 6.11 Lump sum payment taxed at low rate

If the low rate of tax was used in the calculation of the tax on an extra pay amount, the employer will need to enter a tick in the 'lump sum payment taxed at low rate' circle on the paper schedule, enter a '1' on the electronic schedule or tick the checkbox on the electronic onscreen form.

## 6.12 Schedular (Withholding) Payments

## 6.12.1 Rates of tax for schedular (withholding) payments

Activity	Normal Rate	Rate if no tax code declared
ACC personal service rehabilitation payments (attendant care, home help, childcare, attendant care services related to training for independence and attendant care services related to transport for independence) paid under the Injury Prevention and Rehabilitation Compensation Act 2001.	0.105	0.255
Agricultural contracts for maintenance, development, or other work on farming or agricultural land	0.15	0.30
Agricultural, horticultural, and viticulture contracts by companies and other contractors, including supply of labour for pruning and/or thinning of fruit trees or vines, and picking and/or packing of fruit or grapes	0.15	0.30
Cleaning office, business, institution, or other premises (except residential) or cleaning or laundering plant, vehicles, furniture, etc	0.20	0.35
Commissions to insurance agents and sub-agents and salespeople	0.20	0.35
Company directors fees	0.33	0.48
Contracts wholly or substantially for labour only in the building industry	0.20	0.35
Demonstrating goods or appliances	0.25	0.40
Entertainers (New Zealand resident only) such as lecturers, presenters, participants in sporting events, and radio, television, stage and film performers	0.20	0.35
Examiners (fees payable)	0.33	0.48
Forestry or bush work of all kinds, planting, sowing or gathering vegetables, or flax planting or cutting	0.15	0.30
Freelance contributing to newspapers, journals, etc (articles, photographs, cartoons, etc) or for radio, television or stage productions	0.25	0.40
Gardening, grass or hedge cutting, or weed or vermin destruction (for an office, business or institution)	0.20	0.35
Honoraria (including payments to Mayors, chairmen and members of council, boards of trustees, boards, committees and official clubs or societies, etc)	0.33	0.48
Jockeys' or drivers' apprentices	0.15	0.30
Modelling	0.20	0.35
Non-resident contractors who are not companies*: <ul style="list-style-type: none"> <li>• construction work, installation, assembly and similar projects</li> <li>• professional or technical services for such projects</li> <li>• hire of equipment or personnel (other than as employees)</li> </ul>	0.15	0.30
Non-resident entertainers and professional sports people visiting New Zealand**	0.20	N/A
Payments for: <ul style="list-style-type: none"> <li>• mail contracting</li> <li>• transport of school children</li> <li>• milk delivery</li> <li>• refuse removal, street or road cleaning</li> <li>• Caretaking or acting as a watchman</li> </ul>	0.15	0.30

Activity	Normal Rate	Rate if no tax code declared
Proceeds from sales of : <ul style="list-style-type: none"> <li>eels, greenstone, whitebait, Sphagnum moss (not retail sales)</li> <li>wild deer, pigs, or goats or parts of these animals</li> </ul>	0.25	0.40
Share fishing (on contract for the supply of labour only)	0.20	0.35
Shearing or droving	0.15	0.30
Television, video or film; on-set and off-set production processes (New Zealand residents only)	0.20	0.35

\* Applications for exemption certificates or enquires about non-resident contractors should be sent to Inland Revenue, Non-resident Contractors Team,, PO Box 2198, Wellington, New Zealand, or faxed to +64 4 890 4510 or emailed to [nr.contractors@ird.govt.nz](mailto:nr.contractors@ird.govt.nz), further information can be obtained at <http://www.ird.govt.nz/nrcwt>

\*\* The following may be entitled to exemption from tax:

- government or promoted by an overseas non-profit cultural organisation
- non-resident sports people officially representing an overseas national sports body. Send applications for exemption to: Team Leader Assistance, Inland Revenue, PO Box 5542, Wellesley Street Auckland, 1141

#### 6.12.2 Tax deducted from Schedular (withholding) payments calculation

##### Schedular Payments

The amount deducted from schedular payments is a flat rate without the earners' levy. The amount to deduct depends on the nature of payments. Check table 6.12.1 for the rate to apply.

##### Employer Monthly Schedule

The tax code should show as WT and earnings not liable for Earners Levy as the Gross schedular payment. Schedular payments should not include or be included in earnings as an employee. If paying both normal earnings as an employee and schedular payments you must record one line on the EMS as an employee with normal tax code and one line for the schedular payment with WT code.

##### GST

If the payee is GST-registered, deduct GST from the payment before deducting tax on schedular payments. Only the residual amount is subject to tax on schedular payments.

For example, a payment of \$115 (GST inclusive) is due to the payee, deduct GST component of \$15. Deduct the tax on schedular payments (e.g. 20%) on this to calculate the net amount. The amount on the EMS will show Gross \$100, tax on schedular payments of \$20.00, earnings not liable for EL of \$100 and a tax code of WT.

If a declaration has been filled out with all details

$$\text{Tax} = (\text{Normal Flat Rate}) * (\text{Earnings})$$

Else

$$\text{Tax} = (\text{No Dec. Flat Rate}) * (\text{Earnings})$$

In both cases truncate the amount to whole dollars.

### 6.13 Child Support Employer Deduction Notice CS 503

Inland Revenue Child Support can send you a notice telling you to deduct, amend or stop child support payments from your employee's next pay.

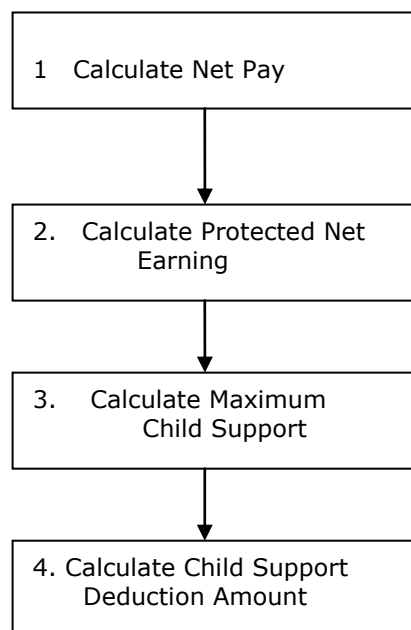
The notice shows:

- Your employee's name and IRD number.
- The payday or pay period that you must start, amend or stop child support deductions.
- The amount to deduct from each pay.
- Employee reference number (if you have provided one).
- If this is the first time you are making deductions, don't make any deductions before the start date on the notice.

#### 6.13.1 Protected net earnings

All employees must be allowed to keep 60% of their net pay, after tax and child support is deducted. This is the employee's 'protected net earnings', to cover living expenses. Note that student loan repayment obligations are not considered a tax when calculating protected net earnings.

'Protected net earnings' apply to child support payments only. You must still make other deductions, such as student loan repayments, KiwiSaver or earners' levy. However, insurance, superannuation and union fees may be deducted subject to the Wages Protection Act 1983. Child support deductions cannot exceed 40% of the net pay.



Sequence	Task	Associated Rules
1	Calculate Net Pay.	Net Pay = Gross Earnings - PAYE (excluding Earners Levy).
2	Calculate Protected Net Earnings.	Protected Net Earnings = Net Pay * 60%

3	Calculate Maximum Child Support Deduction.	Maximum Child Support Deduction = Net Pay - Protected Net Earnings
4	Calculate Child Support Deduction Amount.	If Child Support Amount > Maximum Child Support Deduction Then Deduct Maximum Child Support Deduction (On EMS IR 348 enter variation code P) Else Deduct Child Support Amount as per CS 503

## 6.14 Payroll Giving

Payroll Giving grants employees an immediate tax credit for their donation(s) to a donee organisation (listed on Inland Revenue's Donee List) where the donation is made using their employer's Payroll Giving scheme. The tax credits for payroll donations are used to reduce the amount of PAYE paid by the employee. Payroll Giving is voluntary for both employers and employees.

Tax credits for payroll donations are reported via an electronic Employer Monthly Schedule (the EMS in ir-File) and an electronic payment form (the EDF in ir-File). Payroll Giving is only available to employees of employers who file their schedule and payment form electronically.

The same calculation is used to calculate tax credits for payroll donations for all tax codes and all annual incomes equally:

*Tax Credit for Payroll Donation = Total Donation x 0.3333*

The amount is truncated to whole cents i.e. calculate to 2 decimal places, do not round up or down.

Before making a donation, individuals must have met all tax obligations and any payments legally required to be deducted from their pay. These include:

- PAYE (tax and ACC earner levy)
- Student Loan
- Child Support
- KiwiSaver

**The Maximum tax credit for payroll donations** is limited to the 'Tax' element of PAYE i.e., PAYE minus ACC earner levy equals 'Tax'.

### **Timeframe for Passing Donations**

Donations are deducted from employee's salary or wages by the employer and passed directly to the chosen donee organisation.

Donations need to be passed to the donee organisation on or before the due date for your EDF/IR 345, whichever is closest to the end of the two months from the last day of the pay period that the donation was deducted

### **Keeping Sufficient Records**

Employers and PAYE intermediaries must keep sufficient records of the amount of any payroll donation deducted from an employee's pay to enable Inland Revenue to determine that payroll donations have been transferred to the correct recipient.

For additional information on payroll giving please refer to the link below:

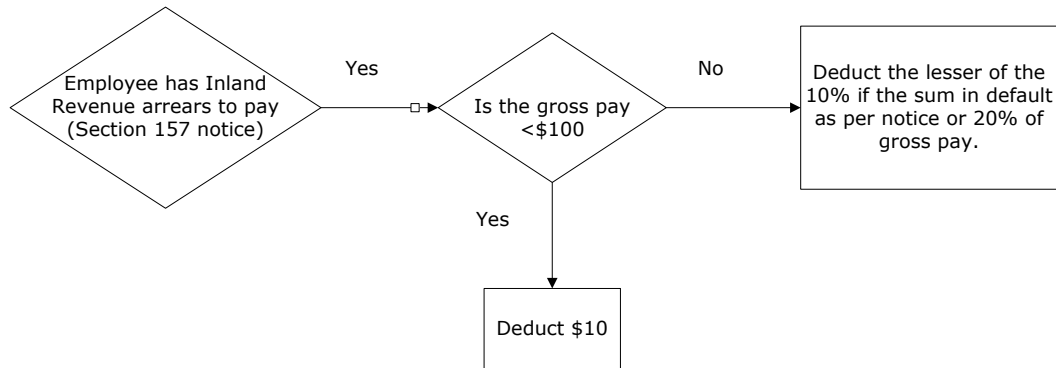
<http://www.ird.govt.nz/software-developers/software-dev-info-update/software-dev-update-payroll-giving/>

### 6.15 Inland Revenue arrears payments

An employer may receive a notice from us requiring them to deduct tax, student loan arrears or family tax credit over payments from an employee's wage (a section 157 notice). The notice will explain how to calculate the required amounts. Child support payments must be deducted before tax and student loan arrears and **Working** for Family Tax Credit over-payments.

**Note:** This is a different situation from the student loan process for significant under-deductions, where the employer would be instructed to use the student loan SLCIR repayment code.

The payments need to be sent to IR by the end of each calendar month, separately from PAYE payments. The details should be supplied on a separate piece of paper, not included on the IR345 remittance slip, and include the following information: employee's full name, IRD number and amounts deducted (details of which will be included in the **Section 157** notice).





## 7. Non-Filing Information

This section contains information for Payroll developers not directly related to filing information via ir-File.

### 7.1 Initiating electronic payments using payroll software packages

If your package is able to initiate electronic payments to us then you need to ensure that the correct payment reference details are supplied for your client. If the details are incorrect, delays in processing these payments can occur.

There are two different tax type codes that relate to employer deducted payments. If the payment includes a combination of the following, you can use the employer deductions (DED) code:

- PAYE
- Child Support deductions
- Student Loan repayment deductions
- Employer superannuation contribution withholding tax
- KiwiSaver deductions for employees
- KiwiSaver employer contributions

If the payment is being made for PAYE intermediary purposes, the intermediary employer deductions code (IED) must be used.

#### 7.1.1 Electronic payment format requirements

Employers (including PAYE intermediaries) will need to provide their bank with the following payment information:

- Payee name: "Inland Revenue"
- Amount: total amount of the payment
- Our bank account details: "03 0049 0001100 27"
- Particulars: Employer's or PAYE intermediary's IRD number
- Payee code: "DED" or "IED" (see above). Leave the next box blank, then enter the period end date for the payment being processed i.e. (DDMMCCYY)
- Reference: This can be used for your own personal reference.

NOTE: These fields (IRD number, Tax Type code and Period End Date) are necessary in order for us to allocate the payment received correctly.

Some software packages may already populate specific non Inland Revenue information (e.g. an accounting reference) in either the particulars or payee code field, and changing this is very difficult. Should this be the case, then you need to ensure that the IR payment reference details are displayed in any remaining fields to minimise impacts for your clients and how their payments are processed.

#### 7.1.2 Particulars field

This field simply represents the Employer or PAYE intermediary's IRD number.

We have now introduced nine digit IRD numbers. If the IRD number is eight digits long then a preceding zero must be shown in the field. The IRD number must start from the left and the remaining three boxes left blank.

Payee code field

Enter the tax type code (DED or IED). Leave the next box blank, then enter the period end date the payment is for – not the date the payment is being made.

### 7.1.3 Reference field

This field is for your own personal reference.

Example of a standard employer deductions (DED) electronic payment

Payee name INLAND REVENUE				Amount 60.00			
Bank	Branch	Customer number	Suffix				
03	0049	0001100	-27				
Particulars 12345678			Payee code DED	31032005		Reference	
IRD number			Tax type	Period end date			

Example of a PAYE Intermediary (IED) electronic payment

Payee name INLAND REVENUE				Amount 60.00			
Bank	Branch	Customer number	Suffix				
03	0049	0001100	-27				
Particulars 12345678			Payee code IED	31032005		Reference	
IRD number			Tax type	Period end date			

## 7.2 Fringe Benefit Tax

### 7.2.1 Opportunities for Payroll Developers

Payroll developers can help employers by incorporating FBT requirements as features of their payroll systems, for example:

- By using payroll systems as the reporting mechanism for FBT-related data
- Inputting all FBT information into the payroll system
- Incorporating the alternate rate requirements
- Flagging each individual who receives fringe benefits
- Producing control reports (similar to the calculation and remuneration adjustment sheets and the final FBT to pay).

The information covered in this section shows how FBT is calculated on the alternate rate calculation process and includes both the short-form and the full alternate rate calculation process. We also explain how to complete the adjustments required for shareholder-employees or those receiving attributed income where full remuneration details were unknown at the time of completing last year's fourth quarter or annual FBT return, and the adjustment for GST.

For more information about FBT and the calculation process, please refer to the latest *Fringe benefit tax guide (IR 409)* or the *Fringe benefit tax return guide (IR 425)*. These are available from our website at [www.ird.govt.nz](http://www.ird.govt.nz) or by phoning SPK2IR (Speak to IR – formally INFOexpress) on 0800 257 773.

#### Shareholder-employee remuneration adjustment

Employers who completed their fourth quarter or annual return last year without knowing all the remuneration details of shareholder-employees (or those receiving attributed income), and applied the 45.99% FBT rate to the value of the attributed benefits, must use the alternate rate calculation when making the remuneration adjustment. The calculation required is based on last year's remuneration and attributed benefit details for each individual, less the amount of FBT calculated and paid for each of those individuals in last year's return. A remuneration adjustment

sheet is included in our *Fringe benefit tax return guide (IR 425)* to assist with this calculation.

### **GST on fringe benefits**

The GST payable is calculated on the taxable value of all benefits from Box 3 of the FBT return less the value of any benefits which are exempt or zero-rated supplies for GST purposes. The GST content of those supplies is to be shown in Box 7 of the FBT return for quarterly filers and Box 6 of the FBT return for annual and income year filers.

#### 7.2.2 Short-form alternate rate calculation

The short-form alternate rate calculation option is a streamlined approach that allows all attributed benefits to be taxed at a flat rate of 49.25%, and all non-attributed benefits to be taxed at a flat rate of 42.86% (or 49.25% on fringe benefits provided to major shareholder-employees). This option is more likely to appeal to employers where all of their employees who receive attributed benefits earn more than \$70,000.

Under the short-form alternate rate option, employers simply add all attributed benefits provided to employees together and calculate the FBT on the combined figure at 49.25%. The non-attributed benefits are calculated the same way as they are under the full alternate rate option.

#### 7.2.3 Full alternate rate calculation

The following information shows how FBT is calculated on attributed fringe benefits using the full alternate rate calculation, using one employee as an example.

The full alternate rate calculation is a five-step process explained under the heading "Full alternate rate calculation process". For each employee who receives a benefit that is attributed to them, their employer must:

Retrieve gross cash remuneration information (gross salary or wages, bonuses or overtime and other taxable income from all entities within a company)

Apply the tax rates, shown in step 1 of the full alternate rate calculation (not the actual PAYE deducted based on the PAYE tax tables) to obtain a net cash remuneration amount.

Add the value of attributed taxable benefits for the year to the net cash remuneration

Apply FBT rates to this total amount (see step 4, Table B)

Calculate the FBT payable by subtracting the tax calculated on the gross wages.

Completion of this calculation for annual filers will give them their FBT to pay for each employee on the value of attributed benefits. Quarterly filers take off the previous three-quarters assessments.

#### 7.2.4 Full alternate rate calculation process

##### **Step 1: Calculate net cash remuneration**

The employer calculates the net cash remuneration of each employee. This calculation takes the employee's gross cash remuneration minus the tax on that income to get net cash remuneration total. Table A (see below) sets out the current income tax rates used in the calculation.

Gross cash remuneration is the employee's gross salary or wages, bonuses, overtime and other taxable income from all entities associated with the company, including subsidiaries, for the year. For a major shareholder-employee it also includes any interest or dividends received from the employer or a related employer. If an employee worked only part of the year, the cash remuneration is the amount paid to them during the year.

**Table A:** Income tax rates

Gross income	Cumulative income tax per bracket	Income tax rate
From \$0 to \$14,000	\$ 1,470.00	10.5%
\$14,001 to \$48,000	\$ 7,420.00	17.5%
\$48,001 to \$70,000	\$ 14,020.00	30.0%
\$70,001 upwards		33.0%

<b>Example: Employee A</b>	
Gross cash Remuneration	\$78,333.00
Tax on first \$70,000	\$14,020.00
Tax on (over \$70,000)@ 33.0%	\$ 2,749.89
Tax on \$78,333 =	\$16,769.89
Therefore:	
Net cash remuneration	\$61,563.11
Tax on cash remuneration	\$16,769.89

Note: When calculating the tax on the cash remuneration the gross cash remuneration total is in whole dollars. The tax amount is taken to the second decimal place after. For example, if the tax amount calculated was \$2,305.45674 the amount that would be shown as the tax on cash remuneration is \$2,305.45.

### Step 2: Calculate taxable value of attributed fringe benefits

The employer calculates the taxable value of each attributed benefit received by the employee. For each employee they add all the taxable values, of all such benefits received for each quarter, to get the annual value of the benefits for each employee. These are obtained from the FBT taxable value calculation sheet that employers have completed in quarters one to four.

<b>Example:</b>	
Quarter 1 total	\$1,272.00
Quarter 2 total	\$1,272.00
Quarter 3 total	\$1,177.60
Quarter 4 total	\$1,272.00
Total taxable value of benefit	\$4,993.60

For more details on attributed fringe benefits, and the thresholds that apply, please refer to the *Fringe benefit tax guide (IR 409)*.

Note: When adding the amount of benefits received by an employee, truncate figures to whole cents. Using the above example, the third quarter amount was calculated at \$1,177.60814, but is shown as \$1,177.60.

**Step 3: Fringe benefit-inclusive cash remuneration (FBICR)**

For each employee take the net cash remuneration (whole dollars only) calculated in step 1 and add the taxable value of attributed fringe benefits (whole dollars only) from step 2. This gives the fringe benefit-inclusive cash remuneration (FBICR) total against which the FBT alternate rates will be applied.

<b>Example: Employee A</b>	
Net income	\$61,563.00
Taxable value on benefit	\$ 4,993.00
FBICR	\$66,556.00

Note: When transferring the fringe benefit-inclusive cash remuneration (FBICR) to step 4 this amount must be in whole dollars.

**Step 4: Applying the alternate rates**

Tax on the FBICR is calculated using the rates in the table below.

**Table B:** Fringe benefit tax rates

Fringe benefit-inclusive cash remuneration	Accumulative FBT per bracket	FBT tax rate
From \$1 to \$12,530	\$1,469.76	11.73%
\$12,531 to \$40,580	\$7,419.16	21.21%
\$40,581 to \$55,980	\$14,019.60	42.86%
\$55,981 upwards		49.25%

<b>Example: Employee A</b>	
FBICR (from step 3)	\$66,556.00
FBT on first \$55,980	\$14,019.60
FBT on \$55,981 and over @ 49.25% =	\$5,208.68,
FBT on \$66,556.00	<b>\$19,228.28</b>

Note: When calculating the tax on the fringe benefit-inclusive tax remuneration within each fringe benefit tax rate, the amount calculated is to the second decimal place after the decimal point so the FBT on \$12,530 is \$1,469.76 ( $\$12,530 \times 11.73\% = \$1,469.769$ ). Using the above example, tax on the difference between \$66,556 and \$55,980 is \$10,576 ( $\$10,576.00 \times 49.25\% = \$5,208.68$ ).

**Step 5: Calculating the FBT liability**

Take the tax on the FBICR (step 4) and subtract the tax on the income (step 1). This gives the amount of fringe benefit tax the employer should have paid for that employee on the value of attributed benefits in that year.

<b>Example: Employee A</b>	
Tax on FBICR of	\$19,228.28
Less tax on income	\$16,769.89
FBT liability for employer	<b>\$ 2,458.39</b>

**Step 6: FBT to pay**

The annual FBT liability for the employer is the:

- FBT calculated on attributed fringe benefits for each employee plus the
- FBT payable on the non-attributed fringe benefits.

The FBT payable on the taxable value of non-attributed benefits is calculated at a flat FBT rate of 42.86% (or 49.25% if received by major shareholder-employees or an associated person, if the benefits received by that associated person were not as an employee).

#### Quarterly filers

If the employer is a quarterly filer, the amount of FBT assessed in the previous quarters is subtracted from the total to get the amount to pay in the final quarter. FBT to pay is transferred to Box 6 on the *Quarterly return (IR 420)*.

<b>Example: Employee A</b>	
FBT liability for employer	\$2,458.39
Less FBT assessed in quarters 1 to 3	\$1,600.28
FBT to pay in final quarter	<b>\$858.11</b>

The employer may be entitled to a refund if the annual FBT liability is less than the FBT assessed in quarters 1-3.

#### 7.2.5 Annual filers

If the employer is an annual or income year filer, the total FBT to pay is \$2,458.39. This is transferred to Box 5 on the annual or income year return IR 422 or IR 421.

### 7.3 Employer's Superannuation Contribution Tax (ESCT) \*

ESCT (employer superannuation contribution tax) is a tax paid on employer cash contributions. ESCT is paid on all employer contributions made after the employer either starts new employment (auto-enrolment into KiwiSaver) or the employer has been given notice to make KiwiSaver deductions (KS2 from employee or letter from IRD). ESCT applies to all payments from that date onwards regardless of the pay period the payment may be for.

#### 7.3.1 Overview of ESCT changes for 2012

The following changes to ESCT were announced in the Taxation (Annual Rates and Budget Measures) Act 2011:

- **Removal of 2% ESCT exemption**

Currently the first 2% of an employer's contribution to their employee's KiwiSaver or complying fund is exempt from ESCT so long as it was no more than 2% of the employee's gross salary or wage.

From 1 April 2012 the 2% ESCT exemption that applied to employer contributions to KiwiSaver and Complying Funds will be removed. This means that from 1 April 2012 the entire employer contribution will be liable for ESCT.

- **ESCT 33% flat rate option**

Currently employers have the option of calculating ESCT using a 33% flat rate.

From 1 April 2012 the 33% ESCT flat rate calculation option will be removed for allocated funding schemes (e.g. KiwiSaver or Complying Funds). The flat rate option of 33% will only apply to defined benefit funds.

Employers can use either the progressive rate (see below - based on the employee's salary scale) or if an employee requests, an employer can agree to treat their employer contribution as salary or wages.

#### 7.3.2 Options for calculating tax on employer contributions

ESCT can be calculated by the employer:

- using a progressive rate based on the employee's salary scale (see Table 1 below) or,
- at the employee's request all or part of the value of the employer superannuation contribution can be included in the employee's gross salary or wages and taxed at their personal tax rates as per RD 68 (1) of the ITA 2007.

**Table 1**

**Income Tax Act 2007 RD 68 Choosing to have amount treated as salary or wages**

*Amount treated as salary or wages*

1. With the agreement of their employer who makes an employer's superannuation cash contribution on their behalf, an employee may choose to have some or all of an employer's superannuation cash contribution made on their behalf treated as salary or wages under the PAYE rules.

*Revoking election*

2. The employee's election is valid until revoked in writing.

### 7.3.3 Calculation Details

#### Taxing employer's superannuation cash contributions as salary or wages under the PAYE rules

All or part of the employer's superannuation cash contribution can be included in the employee's gross salary or wages and taxed under the PAYE rules (section RD 68 (ITA 2007)).

#### Example - when an employee is a member of KiwiSaver

Rachel is employed by Red Bottle Ltd. She is a KiwiSaver member. Her employment agreement includes Red Bottle Ltd. contributing \$10 (2%) a week to her KiwiSaver scheme, in addition to her normal weekly salary of \$500.03.

Rachel chooses, and her employer agrees, to have these contributions included as part of her salary.

This means Red Bottle Ltd uses the total of her salary and the employer contributions of \$510.03 to calculate her PAYE.

**Note:** Any student loan deductions, working for family tax credit entitlements or child support obligations the employee may have will be calculated on the new Gross amount of \$510.03. Also ACC employer levies will increase due to the new gross as well.

#### Calculation Steps

Original Gross	\$500.03
KiwiSaver Employee Deduction 4%	\$20.00012
Truncated to 2 decimal places	\$20.00
KiwiSaver Employer contribution 2%	\$10.0006
Truncated to 2 decimal places	\$10.00
PAYE on \$500.03	\$77.15
PAYE on original gross plus employer contribution \$510.03	\$79.07

#### 1. If the superannuation contribution is paid as a gross amount, the calculation is:

As per the above example the employer would deduct the following from the employee's salary or wages:

Total gross wage inclusive of the employer contribution	\$510.03
Less PAYE	\$79.07
Less KiwiSaver employer contribution	\$10.00
Less KiwiSaver employee deduction	\$20.00
Total net wage given to employee	\$400.96

#### 2. If the superannuation contribution is paid as a net\* amount the employer will need to calculate what tax is to be deducted, the calculation is:

##### Step 1

Original gross wage	\$500.03
PAYE on original gross	\$77.15
Total gross inclusive of the employer contribution	\$510.03
PAYE on gross inclusive of the employer contribution	\$79.07

##### Step 2

PAYE on gross inclusive of the employer contribution	\$79.07
less PAYE on original gross	\$77.15
	\$1.92



**Step 3**

The employer contribution is sent to the provider less tax not PAYE, which means we have to identify and deduct the ACC earner premium from the tax on the employer contribution.

Gross employer contribution	\$10.00
Multiplied by ACC earner premium	1.70%
ACC calculated on employer contribution	\$0.17

**Step 4**

PAYE calculated on employer contribution (refer step 2)	\$1.92
Less ACC calculated on employer contribution	\$0.17
Total tax to deduct from employer contribution	\$1.75

**Step 5**

Gross employer contribution	\$10.00
Less tax to deduct from employer contribution	\$1.75
Net employer contribution	\$8.25

As per the above example the employer would deduct the following from the employee's salary or wages:

Total gross inclusive of the employer contribution	\$510.03
Less PAYE	\$79.07
Less KiwiSaver employee deduction	\$20.00
Less KiwiSaver employer contribution	\$8.25
Total net wage given to employee	\$402.71

### 7.3.4 Amount of employer superannuation contributions to be shown on the EMS.

When employer contributions are treated as salary and wages the amount paid to the superannuation fund as shown on the EMS can be either the amount calculated on the original gross or the amount calculated after the income tax component of the PAYE has been identified and removed from the employer contribution. This may be specified under the employment contract.

This can be calculated using the following options:

**Option One**

Employer contribution is \$10.00 per week and the gross wage is \$510.00. (Note the amounts have been multiplied by 4 to make it a monthly amount)

The employer shows the following information on the IR348:

Gross	\$2,040.00
PAYE	\$316.28
KiwiSaver employee deduction	\$80.00
KiwiSaver employer contribution	\$40.00

The employer shows the following information on the IR345:

PAYE	\$316.28
KiwiSaver employee deduction	\$80.00
KiwiSaver employer contribution	\$40.00
Total paid to Inland Revenue	\$436.28

**Option Two**

Employer contribution is \$8.25 per week and the gross wage is \$510.00. (Note the amounts have been multiplied by 4 to make it a monthly amount)

The employer shows the following information on the IR348:

Gross	\$2,040.00
PAYE	\$316.28
KiwiSaver employee deduction	\$80.00
KiwiSaver employer contribution	\$33.00

The employer shows the following information on the IR345:

PAYE	\$316.28
KiwiSaver employee deduction	\$80.00
KiwiSaver employer contribution	\$33.00
Total Paid to inland Revenue	\$429.28

### 7.3.5 ESCT rate threshold amount

The ESCT rate threshold amount is the salary or wages plus any superannuation contribution (before any ESCT has been deducted) paid by the employer (both KiwiSaver and other), during the last tax year (i.e. 1 April to 31 March).

If the employee has not worked the full previous tax year, then the employer estimates what their earnings would be for a whole year.

If section RD 67(a) of the Income Tax Act 2007 applies, the amount of tax is determined by applying the relevant rate given by Table 1 to each dollar of an employer's superannuation contribution:

#### Income Tax Act 2007 RD 67 Calculating amounts of tax for employer's superannuation cash contributions

The amount of tax for an employer's superannuation cash contribution is the amount determined under 1 of the following paragraphs, as applicable:

- (a) if the employer chooses under section RD 69(1), the amount determined under schedule 1, part D, clause 1 (Basic tax rates: income tax, ESCT, RSCT, RWT, and attributed fringe benefits); or
- (b) the amount determined under schedule 1, part D, clause 2.

#### Income Tax Act 2007 Basic rates for ESCT 1 Amount of tax for section RD 67(a)

If section RD 67(a) applies, the amount of tax is determined by applying the relevant rate given by table 1 to each dollar of an employer's superannuation contribution.

**Table 1**

Row	ESCT rate threshold amount	Tax rate
1	\$0 - \$16,800	0.105
2	\$16,801 - \$57,600	0.175
3	\$57,601 - \$84,000	0.300
4	\$84,001 upwards	0.330

7.3.6 Definition of ESCT threshold

With reference to the section YA 1 of the Income Tax Act (2007) the definition of the threshold amount to be applied to an individual employee is as follows:

**Income Tax Act (2007) YA 1 Definitions**

ESCT rate threshold amount, for an employer's superannuation cash contribution, means-

- (a) for an employee employed by an employer for the whole of a tax year immediately before the tax year in which the employer's superannuation contribution is paid, the total amount of-
  - (i) salary or wages derived by the employee in the previous tax year; and
  - (ii) the gross amount of employer's superannuation contributions before ESCT is withheld that the employer paid on behalf of the employee in the previous tax year; or
- (b) if paragraph (a) does not apply, the total amount of -
  - (i) salary or wages that the employer estimates will be derived by the employee in the tax year in which the contribution is paid; and
  - (ii) the gross amount of employer's superannuation contributions before ESCT is withheld that the employer estimates that they will pay on behalf if the employee in the tax year in which the contribution is paid.

Therefore, the ESCT rate threshold is set at the beginning of the tax year and cannot change until the following year when the rate is re-calculated.

7.3.7 Employer Contribution and ESCT calculated using whole dollars and cents

KiwiSaver legislation requires the following rules to be applied to the calculation for employer contribution:

- employer contribution is to be based on complete dollars and cents i.e. \$861.85 and not just \$861
- ESCT is calculated based on the last amount i.e. \$51 and not \$51.71.

7.4 ESCT calculation examples

7.4.1 Employee with employer for whole tax year

An employee has earned \$50,000 total income and has been employed by his employer for the full previous tax year. The employee has also received a gross employer superannuation contribution of \$4000 (8% of the employee's gross salary or wage) and the employer has paid other superannuation on behalf of the employee of \$216.00 (total employer superannuation contributions are \$4,216.00).

The ESCT threshold rate is calculated as follows:

Total income	\$50,000.00
Total Superannuation Contribution	\$ 4,216.00
	-----
Total ESCT threshold amount is	\$54,216.00
	=====

The tax rate that the ESCT will be deducted is 0.175 or 17.5%.

Note: The ESCT rate of 0.175 will remain for the whole tax year and will not change regardless of any change to employees salary/wages during the current tax year.

**7.4.2 Employee with employer less than 12 months**

Examples based in 1 April 2012 to 31 March 2013 tax year.

**Example One**

Employee commenced work prior to start of tax year on 15 March 2012 and earned gross \$968.00 and employer super contributions of \$19.36 up to the 31 March 2012.

- 1) Estimate income earned for tax year 1/4/2012 to 31/3/2013  
Gross income \$968 / days earnings 16 x days in tax year 366 = \$22,143
- 2) Gross income + Superannuation Contributions/ days earnings x days in tax year
- 3)  $\$968 + \$19.36 / 16 \times 366 = \$22,585.86$  ESCT rate threshold amount
- 4) ESCT threshold amount of \$22,585.86 is between \$16,801.00- \$57,600.00, the ESCT rate is 0.175 or 17.5%.

**Example Two**

Employee commenced work during the tax year on the 17th July 2012 earning weekly \$380 with employer superannuation contributions of \$7.60 per week.

- 1) Calculation to estimate income earned for tax year using period 17/7/2012 to 31/3/2013 (258 days)
- 2) Gross income + Superannuation Contributions/ days earnings x days in tax year
- 3)  $\$380 + \$7.60.00 / 7 \times 258 = \$14,285.82$  ESCT rate threshold amount
- 4) ESCT threshold amount of \$14,285.82 is between \$0 - \$16,800.00, the ESCT rate is 0.105 or 10.5%.

**Example Three**

Employee commenced work as a casual employee on the 14th November 2012 earning \$250.00 hour with employer superannuation contributions of 2%.

The employer has estimated the employee will work 150 Hour:

- 1) Estimated income earned for tax year using -  
150 hours worked x \$250 hourly rate = \$37,500 estimated earnings
- 2) Estimated Superannuation Contributions -  
\$37,500 estimated earnings x 2% employer contribution = \$750.00
- 3) Add estimated gross income + estimated Superannuation Contributions -  
\$37,500 + \$750 = \$38,250 ESCT rate threshold amount
- 4) ESCT threshold amount of \$38,250 is between \$16,801.00-\$57,600.00 and the ESCT rate is 0.175 or 17.5%.

The tax rate that the ESCT will be deducted is 0.175 or 17.5%.

Note: The ESCT rate of 0.175 will become a static rate, based on Example 1, provided as at 1 April 2013 and 1 April 2014 if the employee is still employed by their respective employer.

### 7.4.3 Calculating ESCT using the ESCT threshold tax amount

An employee earns \$1500.00 total for the month and receives employer superannuation contribution of \$20.00 and other superannuation of \$10.00 (total of 2%)

Then ESCT will be calculated as follows:

Super contributions \$30.00 x .175 = \$5.25 ESCT deductions.

### 7.4.4 Payday includes income earned before & after 1 April 2012

An employee is paid fortnightly; their next payday is 6th April 2012. They have an ESCT threshold tax rate of 17.5%. The employer makes a \$20.00 superannuation contribution.

The first pay paid to the employee on or after 1 April 2012 is liable for ESCT; therefore the entire employer contribution is liable for ESCT in this scenario.

The calculation of ESCT on this amount is \$20.00 X 0.175 = \$3.50 ESCT.

### 7.4.5 ESCT calculation where an employee contributes to both a KiwiSaver Superannuation scheme and a Complying Fund

An employee earns \$1546.00 gross for the month and receives a KiwiSaver employer contribution of \$30.92 (2%) and a complying fund employer contribution of \$15.46 (1%). The employee's ESCT threshold tax rate of 17.5%

ESCT will be calculated as follows:

KiwiSaver Employer Contributions (2%) **30.92**

Complying fund employer contributions (1%) 15.46

$\$30.92 + \$15.46 = \$46.38$

(using the last dollar to \$46.00 for ESCT purposes)

$\$46.00 * 17.5\% = \$8.05$  total ESCT

ESCT is then allocated to each contribution on a pro-rata basis by multiplying the KiwiSaver employer contribution (\$30.92) by the total ESCT calculated (\$8.05) and then dividing it by the total employer contribution (\$46.38).

$\$30.92 * \$8.05 / \$46.38 = \$5.36$

\$5.36 is the ESCT to deduct from the KiwiSaver employer contribution.

To calculate the ESCT calculated on the complying fund you deduct the KiwiSaver ESCT (\$5.36) from the total ESCT calculated (\$8.05).

$\$8.05 - \$5.36 = \$2.69$

## 8. Appendix

### 8.1 Inland Revenue (IRD) Number validation

This section has been updated to add clarity to the IRD number validation process.

The IRD number format used by Inland Revenue is an eight or nine digit number consisting of the following parts -

- A seven or eight digit base number
- A trailing check digit

### 8.2 Check digit validation

The following steps are to be performed -

#### 1. Check the valid range

- If the IRD number is < 10-000-000 or > 150-000-000 then the number is invalid. This step ensures that the IRD number is in the already issued range, or is in the range expected to be issued in the next 10 years.

#### 2. Form the eight digit base number:

- Remove the trailing check digit.
- If the resulting number is seven digits long, pad to eight digits by adding a leading zero.

#### 3. Calculate the check digit:

- To each of the base number's eight digits a weight factor is assigned. From left to right these are: 3, 2, 7, 6, 5, 4, 3, 2.
- Sum together the products of the weight factors and their associated digits.
- Divide the sum by 11. If the remainder is 0, the calculated check digit is 0.
- If the remainder is not 0, subtract the remainder from 11, giving the calculated check digit.
- If the calculated check digit is in the range 0 to 9, go to step 5.
- If the calculated check digit is 10, continue with step 4.

#### 4. Re-calculate the check digit :

- To each of the base number's eight digits a secondary weight factor is assigned. From left to right these are: 7, 4, 3, 2, 5, 2, 7, 6.
- Sum together the products of the weight factors and their associated digits.
- Divide the sum by 11. If the remainder is 0, the calculated check digit is 0.
- If the remainder is not 0 then subtract the remainder from 11, giving the 00 calculated check digit.
- If the calculated check digit is 10, the IRD number is invalid.

#### 5. Compare the check digit :

- Compare the calculated check digit to the last digit of the original IRD number. If they match, the IRD number is valid.

#### Example 1

IR number 49091850.

The base number is 4909185 and the supplied check digit is 0.

The number is greater than 10,000,000. Using the weightings above:

$$(0*3) + (4*2) + (9*7) + (0*6) + (9*5) + (1*4) + (8*3) + (5*2) = 154.$$

$154 / 11 = 14$  remainder 0 (i.e.  $\text{mod}(154,11) = 0$ )  
The remainder (0) = check digit (0), so no further calculation is necessary.

**Example 2**

IR number 35901981.

The base number is 3590198 and the supplied check digit is 1. The number is greater than 10,000,000. Using the weightings above:

$$(0*3) + (3*2) + (5*7) + (9*6) + (0*5) + (1*4) + (9*3) + (8*2) = 142.$$

$$142 / 11 = 12 \text{ remainder } 10 \text{ (i.e. } \text{mod}(142,11) = 10)$$

$$11 - 10 = 1 \text{ which matches the check digit.}$$

The number is valid.

**Example 3**

IR number 49098576.

The base number is 4909857 and the supplied check digit is 6. The number is greater than 10,000,000. Using the weightings above:

$$(0*3) + (4*2) + (9*7) + (0*6) + (9*5) + (8*4) + (5*3) + (7*2) = 177 .$$

$$177 / 11 = 16 \text{ remainder } 1 \text{ (i.e. } \text{mod}(177,11) = 1)$$

$$11 - 1 = 10 \text{ so perform the secondary calculation.}$$

$$(0*7) + (4*4) + (9*3) + (0*2) + (9*5) + (8*2) + (5*7) + (7*6) = 181$$

$$181 / 11 = 16 \text{ remainder } 5 \text{ (i.e. } \text{mod}(181,11) = 5)$$

$$11 - 5 = 6, \text{ this matches the check digit.}$$

The number is valid.

**Example 4** (9 digit IRD number)

IR number 136410132.

The base number is 13641013 and the supplied check digit is 2. The number is greater than 10,000,000. Using the weightings above:

$$(1*3) + (3*2) + (6*7) + (4*6) + (1*5) + (0*4) + (1*3) + (3*2) = 89 .$$

$$89 / 11 = 8 \text{ remainder } 1 \text{ (i.e. } \text{mod}(89,11) = 1)$$

$$11 - 1 = 10 \text{ so perform the secondary calculation.}$$

$$(1*7) + (3*4) + (6*3) + (4*2) + (1*5) + (0*2) + (1*7) + (3*6) = 75$$

$$75 / 11 = 6 \text{ remainder } 9 \text{ (i.e. } \text{mod}(75,11) = 9)$$

$$11 - 9 = 2 \text{ which matches the check digit.}$$

The number is valid.

**Example 5** (9 digit IRD number)

IR number 136410133. The base number is 13641013 and the supplied check digit is 3. The number is greater than 10,000,000. Using the weightings above:

$$(1*3) + (3*2) + (6*7) + (4*6) + (1*5) + (0*4) + (1*3) + (3*2) = 89 .$$

$$89 / 11 = 8 \text{ remainder } 1 \text{ (i.e. } \text{mod}(89,11) = 1)$$

$$11 - 1 = 10 \text{ so perform the secondary calculation.}$$

$$(1*7) + (3*4) + (6*3) + (4*2) + (1*5) + (0*2) + (1*7) + (3*6) = 75$$

$$75 / 11 = 6 \text{ remainder } 9 \text{ (i.e. } \text{mod}(75,11) = 9)$$

$$11 - 9 = 2, \text{ this does not match the check digit (3).}$$

The number is invalid.

**Example 6**

IR number 9125568. The number is less than 10,000,000 so fails the first validation.

The number is invalid.

### 8.3 ir-File format and layout.

This section specifies the file format and layout that will be sent through the ir-File system.

#### 8.3.1 File format

The file must be in ASCII comma delimited format.

#### 8.3.2 Location

The output file must be placed in a directory that is easily accessible from the desktop. Depending on the file size, it can either be placed in a local or a LAN drive.

#### 8.3.3 File naming suggestions

There is no standard file naming required. However, for easier identification we suggest the following:

- A unique, period-based name.
- Inclusion of the type of return to differentiate it from other returns, which may be required to be filed electronically in the future.
- A CSV extension to indicate the file type.

#### 8.3.4 Compression

File compression using the zip compression algorithm is acceptable, provided that the following rules are adhered to:

- The content of any zip file must consist only of uncompressed files, i.e. a compressed file cannot be included within any other zip file. A 'nested' zip file cannot be processed and will cause the whole file to be rejected.
- A zip file must be a single file only. In other words, a multi-part zip file (usually created to span removable media) will be rejected, as the decompression application will fail when trying to process a part file as a whole file.

#### 8.3.5 End of record indicator

Each header and detail record must end with a carriage return and line feed, which is ASCII character 13, followed by ASCII character 10.

#### 8.3.6 Trailer record

There is no trailer record required.



## 8.3.7 Data Attributes

The following is a list of valid attributes accepted by the ir-File system:

Data type	Description
ANUM	Alphabetic and numeric characters only. <b>Alphabetic:</b> Any letter or space ("a" to "z", "A" to "Z" and space). <b>Numeric:</b> Any numeric character (0 to 9 and "-"). Leading and trailing spaces must be trimmed; field values must not be enclosed in quotes; nil must be represented by a zero, i.e. 0; blank values must have a format of comma comma, i.e. ,,
ALPHA	Alphabetic characters only. <b>Alphabetic:</b> Any letter or space ("a" to "z", "A" to "Z" and space). Leading and trailing spaces must be trimmed; field values must not be enclosed in quotes; blank values must have a format of comma comma i.e.,,
NUM	A positive integer of a given length. No '+' sign.
ANAM	Alphabetic and numeric characters from a standard 101/102 keyboard except commas, square brackets, backslashes and quotation marks (""). Leading and trailing spaces must be trimmed; embedded spaces left as is; all spaces are invalid.
PDEC	Money in cents. The number should be a non-negative decimal integer. For example, if the amount is \$547.98, the output format should be '54798'. No padding is required. Nil values should be represented by zero, i.e. 0.
DATE	Any valid date in the format CCYYMMDD.
IRD	A valid 9 digit IRD number. It must be modulus 11 checked (see Section 17 – IRD number Validation). Note that IRD numbers can contain eight or nine digits. From June 2008, IR introduced an extended number range for IRD numbers to include a new 9 digit range.
RANGE	This field may only contain the values within the given range. Blank values must have a format of comma comma, i.e. ,,
EMAIL	This field will contain the email address. Acceptable characters are A-Z, a-z, 0-9 and @ - _. Syntax must contain '@domain' string, and not contain double periods, e.g. myname@mycompany.co.nz.

#### 8.4 Bank account number validation

The bank account number format used by all banks is numeric and includes the following parts:

- Bank ID (maximum 2 digits)
- Bank branch (maximum 4 digits)
- Account base number (maximum 8 digits)
- Account suffix (maximum 4 digits).

For processing at Inland Revenue the fields for the individual account number parts are all of maximum size. If less than the maximum number of digits is supplied, then values are right justified and the fields padded with zeroes (where applicable).

The first step in the validation process is to verify the bank branch number. For every bank ID, a range of branch numbers is allocated. If the bank ID is not one of those listed below or the branch number is not included in the range(s) specified, the bank account number is invalid. If the branch number is valid, then derive the appropriate code from the "Algorithm" column below and perform the second validation step as outlined in the first paragraph over the page.

Bank ID	Valid Branch Numbers	Algorithm
01	0001 - 0999, 1100 - 1199, 1800 - 1899	See note
02	0001 - 0999, 1200 - 1299	See note
03	0001 - 0999, 1300 - 1399, 1500 - 1599, 1700 - 1799, 1900 - 1999	See note
06	0001 - 0999, 1400 - 1499	See note
08	6500 - 6599	D
09	0000	E
11	5000 - 6499, 6600 - 8999	See note
12	3000 - 3299, 3400 - 3499, 3600 - 3699	See note
13	4900 - 4999	See note
14	4700 - 4799	See note
15	3900 - 3999	See note
16	4400 - 4499	See note
17	3300 - 3399	See note
18	3500 - 3599	See note
19	4600 - 4649	See note
20	4100 - 4199	See note
21	4800 - 4899	See note
22	4000 - 4049	See note
23	3700 - 3799	See note
24	4300 - 4349	See note
25	2500 - 2599	F
26	2600 - 2699	G
27	3800 - 3849	See note
28	2100 - 2149	G
29	2150 - 2299	G
30	2900 - 2949	See note
31	2800 - 2849	X

Bank ID	Valid Branch Numbers	Algorithm
33	6700 - 6799	F
35	2400 - 2499	See note
38	9000 - 9499	See note

Note: If the account base number is below 00990000 then apply algorithm A, otherwise apply algorithm B.

The second validation step is a modulus *n* algorithm applied to the whole account number. The algorithm type is derived from the table on the previous page.

Follow this process:

1. Identify the corresponding weight factor for every digit in the account number as shown in the table below. Note: all fields (i.e., bank ID, bank branch, account base and account suffix) are right justified and padded with zeroes.
2. Add together the products of the weight factors and their associated account number digit.

If the algorithm E or G is used then add the two digits of the product (tens and ones), and again the two digits of the result before summing (see example 3 on page 120).

Divide the sum by the value in the "Modulo" column below. If the remainder is zero then the bank account number is valid.

Algorithm	Bank		Branch				Account Base							Suffix			Modulo		
A	0	0	6	3	7	9	0	0	10	5	8	4	2	1	0	0	0	0	11
B	0	0	0	0	0	0	0	0	10	5	8	4	2	1	0	0	0	0	11
*C	3	7	0	0	0	0	9	1	10	5	3	4	2	1	0	0	0	0	11
D	0	0	0	0	0	0	0	7	6	5	4	3	2	1	0	0	0	0	11
E	0	0	0	0	0	0	0	0	0	0	5	4	3	2	0	0	0	1	11
F	0	0	0	0	0	0	0	1	7	3	1	7	3	1	0	0	0	0	10
G	0	0	0	0	0	0	0	1	3	7	1	3	7	1	0	3	7	1	10
*X	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

Note 1: \*Algorithm C is not currently used by the banks.

Note 2: \*Algorithm X (for Bank ID 31) always verifies the bank account number to be valid. It is included in this table so the same validation logic can be applied to all account numbers.

**Example 1**

For the bank account number 01-902-0068389-00 algorithm A is to be used for validation.

Formatted account number:	0	1	0	9	0	2	0	0	0	6	8	3	8	9	0	0	0	0	0
Weight digits from table:	0	0	6	3	7	9	0	0	10	5	8	4	2	1	0	0	0	0	0

$$\begin{aligned}
 &(0*0) + (1*0) + \\
 &(0*6) + (9*3) + (0*7) + (2*9) + \\
 &(0*0) + (0*0) + (0*10) + (6*5) + (8*8) + (3*4) + (8*2) + (9*1) + \\
 &(0*0) + (0*0) + (0*0) + (0*0) \\
 &= 176 \\
 &176 / 11 = 16, \text{ remainder} = 0 \\
 &\text{The bank account number is valid.}
 \end{aligned}$$

**Example 2**

For the bank account number 08-6523-1954512-001 algorithm D is to be used for validation.

Formatted account number:	0	8	6	5	2	3	0	1	9	5	4	5	1	2	0	0	0	1	0
Weight digits from table:	0	0	0	0	0	0	0	7	6	5	4	3	2	1	0	0	0	0	0

$$\begin{aligned}
 &(0*0) + (8*0) + \\
 &\quad (6*0) + (5*0) + (2*0) + (3*0) + \\
 &\quad (0*0) + (1*7) + (9*6) + (5*5) + (4*4) + (5*3) + (1*2) + (2*1) + \\
 &\quad (0*0) + (0*0) + (0*0) + (1*0) \\
 &= 121
 \end{aligned}$$

121 / 11 = 11, remainder = 0  
The bank account number is valid.

**Example 3**

For the bank account number 26-2600-0320871-032 algorithm G is to be used for validation:

Formatted account number:	2	6	2	6	0	0	0	0	3	2	0	8	7	1	0	0	3	2	2
Weight digits from table:	0	0	0	0	0	0	0	1	3	7	1	3	7	1	0	3	7	1	0

$$\begin{aligned}
 (2*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (6*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (2*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (6*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (0*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (0*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (0*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (0*1) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (3*3) &= 09 \rightarrow 0 + 9 = 09 \rightarrow 0 + 9 = 09 \\
 (2*7) &= 14 \rightarrow 1 + 4 = 05 \rightarrow 0 + 5 = 05 \\
 (0*1) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (8*3) &= 24 \rightarrow 2 + 4 = 06 \rightarrow 0 + 6 = 06 \\
 (7*7) &= 49 \rightarrow 4 + 9 = 13 \rightarrow 1 + 3 = 04 \\
 (1*1) &= 01 \rightarrow 0 + 1 = 01 \rightarrow 0 + 1 = 01 \\
 (0*0) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (0*3) &= 00 \rightarrow 0 + 0 = 00 \rightarrow 0 + 0 = 00 \\
 (3*7) &= 21 \rightarrow 2 + 1 = 03 \rightarrow 0 + 3 = 03 \\
 (2*1) &= 02 \rightarrow 0 + 2 = 02 \rightarrow \underline{0 + 2 = 02} \\
 &30
 \end{aligned}$$

3. 30 / 10 = 3, remainder = 0  
The bank account number is valid.

## 8.5 IR Approval of C-Series Return

You can request the C-Series payroll specification by sending an e-mail to [Payroll.Developers@ird.govt.nz](mailto:Payroll.Developers@ird.govt.nz) or by post to:

'C' Series Employer Monthly Schedule Certification  
Imaging Support Team  
Inland Revenue  
Box 2198  
Wellington 6140

You will be sent the C-Series specification document along with instructions for certification.

## 8.6 Change Log

Number	Change Description	Change Request	Date
1.	Initial Reformat	EMS Project	8/9/2009
2.	Amend Caveat now Payroll giving legislation has changed	Payroll Giving	21/9/2009
3.	Reorder payroll giving section to appear before EMS and EDF record definitions. Reinsert missing EMS DTL field for payroll giving	EMS Project	23/9/2009
4.	Remove flow charts for IR number validation examples and insert more examples.	EMS Project	24/09/09
5.	Rearranged Appendix for IR file so Data Types appears on single page	EMS Project	24/09/09
6.	Section 6.8 special tax codes, 6.9 Extra pay, 6.11 Schedular payments and 6.13 Child support diagrams and text simplified and reformatted	EMS project	24/09/09
7.	Non-Filing information. Text added to make clear that this section is for information only and doesn't relate to filing via ir-File	EMS Project	24/09/09
8.	Section 7.3 – Employer's Superannuation Contribution Tax (ESCT): Addition of additional information and KiwiSaver web link for discussion of ESCT	EMS Project	1/10/2009
9.	Addition of new 2010 tax changes. See section 1.2.1 and 1.2.2 for details Section 3.2.3 – EMS – Header Record: Addition of two extra fields on the EMS HDR record for payroll software package information and email details for payroll contact person. This is only for EMS's submitted via the File transfer option. Also change of version no. from 0003 (Payroll giving inclusions) to 0004.	2010 Tax rate alignment project	9/11/2009
10.	Section 3 Wording amended for threshold filing information	EMS project	9/11/2009

11.	Section 2.2.7 – Codes: Insertion of correct URL to the list of error codes and their meanings	IRD stakeholder group	9/11/2009
12.	Section 3.1 – Payroll giving calculation clarified	Payroll giving project	9/11/2009
13.	Section 3.2.6 – New EMS error messages as of 7 January 2009: Payroll giving error messages updated	Payroll giving project	9/11/09
14.	Section 6.1 – Table of tax codes as at 1 April 2010: Inclusion of an explanation of "Secondary Income".	IRD stakeholder group	9/11/2009
15.	Section 7.2 – Fringe Benefit tax: Wording change from "multi-rate" to "alternate rate" throughout entire section.	2010 Tax rate alignment project	9/11/2009
16.	Section 8.4 – IR Approval of C Series Return: Change of email address to request the C-Series payroll specification document.	ASD Support	9/11/2009
17.	Update draft version 1 to Final version 2 for 2011 spec	ASD Support	21/12/2009
18.	Create Version 3 of 2011 spec for correctly logging and highlighting changes	EMS Project	22/12/2009
19.	Section 1.1 Final Caveat inserted in place of Draft caveat. URLs amended	EMS Project	22/12/2009
20.	Section 1.2.1 Payroll giving summary of updates amended	EMS Project	22/12/2009
21.	Section 3.1 Numbers in Payroll Giving examples amended. 31 June typo corrected to 30 June	EMS Project	22/12/2009
22.	Section 3.2.3 Typo in Total Student Loans row referring to CS 503 deleted	EMS Project	22/12/2009
23.	Section 3.2.3 Size of Payroll Developer Package version identifier increased to 80 and text added to notes	EMS Project	22/12/2009
24.	Section 3.2.5 Notepad example updated	EMS Project	22/12/2009
25.	Section 3.2.6 Error F129 updated to read 2010 not 2009	EMS Project	22/12/2009
26.	Section 4.2.4 Notepad example updated	EMS Project	22/12/2009
27.	Amend 6.1 table to refer to consolidate Extra pay references for primary and secondary. Reorder so section 6.8 appears before 6.9 and 6.10	EMS Project	22/12/2009
28.	Sections 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 6.10 Amend references to Employers Levy to rate of 0.2 and amend calculation numbers accordingly	EMS Project	22/12/2009
29.	Section 7.3 ESCT explanation amended	EMS Project	22/12/2009
30.	Section 8.2.7 EMAIL added to list of allowed Data Attributes.	EMS Project	22/12/2009
31.	Section 8.1 IRD number examples amended	EMS Project	22/12/2009

32.	Sections 3.1, 6.2, 6.3, 6.6, 6.7, 6.8, 6.9 and 6.10 Addition of new tax rates – See section 1.2.1 for details	2010 Budget Project	29/06/2010
33.	Sections 3.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9 and 6.10 Amend references to ACC Earners Levy to rate of 0.0204 and amended calculations accordingly	2010 Budget Project	29/06/2010
34.	Sections 6.2 and 6.3 Updates to calculations using new tax rates	2010 Budget Project	29/06/2010
35.	Section 6.12.1 – Rate change for ACC personal service rehabilitation payments. Normal rate 0.0105. Rate if no tax code declared 0.255	2010 Budget Project	29/06/2010
36.	Section 7.2.1 Impact of GST rate change from 12.5% to 15% on Income year and Annual year return filers for FBT	2010 Budget Project	29/06/2010
37.	Section 7.2.2 Change to short-form alternate rate calculation	2010 Budget Project	29/06/2010
38.	Section 7.2.4 – Step 1 Composite income tax rates changed and examples updated – See this section for details	2010 Budget Project	29/06/2010
39.	Section 7.2.4 – Step 4 FBICR alternate rates changed – See this section for details	2010 Budget Project	29/06/2010
40.	Section 7.3 Changes to ESCT thresholds and a fourth threshold added – See section 1.2.1 for details	2010 Budget Project	29/06/2010
41.	Section 8.3 added new Westpac Bank Branch Range 1900 – 1999.	ASD Analysis	01/06/2010
42.	Section 6.13 Wording updated to reflect the correct interpretation of the legislation.	RED Team	23/06/2010
43.	Section 7.3.1 page 68 - Added clarification of the ESCT calculation process, when whole dollars and dollars and cents are applied to the calculation of the employers contribution	RED Team	13/09/2010
44.	Section 5.3.2: page 31 - Added Consistency between the PAYE Rules & KiwiSaver Rules for School Children [Employers Guide - IR335 - Part 5 - Special types of workers, page 57]	RED Team BR November 2010 Bill	13/09/2010
45.	Section 6.2.1 page 41 - Added Employing a Student PAYE calculation rules November Bill	RED Team BR November 2010 Bill	13/09/2010
46.	Section 7.2 page 62 – FBT rate change	2010 Budget Project	04/10/2010
47.	Section 6 page 39 - Intermediate calculation accuracy	ASD Analysis	14/10/2010
48.	Section 6.2 page 40 step 1 – Annualised income calculations simplified	ASD Analysis	14/10/2010
49.	Section 6.3 page 41 step 1 – Annualised income calculations simplified	ASD Analysis	14/10/2010

50.	Section 6.13 page 62 – Child support protected net earnings calculation	ASD Analysis	14/10/2010
51.	Section 6.8 page 51 – Special Tax code (STC) New flow chart and text added to correct the error in the document.	Computer Tax Audit Stephen Wellgreen	08/11/2010
52.	Section 6.14 page 63 – Payroll Giving no longer a 'new' process. 6.14 is the edited/condensed version of Section 3.1 the initial Payroll Giving information.	Carolyn Faircloth (Project BA on the Payroll Giving and other employer initiatives project)	02/11/2010
53.	Section 6.4 page 46 – Student Loan, cents added to the calculation to correct the omission	ASD Analysis	08/11/2010
54.	Section 6.1 page 40- WT tax code added to table.	Customer Operations	01/12/2010
55.	Section 6.5 page 44 – NSW ( Non-Resident Seasonal Worker) rate change	August Bill	20/12/2010
56.	ACC <b>Change to maximum annual earnings.</b> (replaces earner levy increase) Section 6.2 Page 37 Step 5 – PAYE calculations Section 6.3 Page 41 Step 3 - PAYE calculations Section 6.9 Page 49 Step 6 - Extra pay primary income Section 6.10 Page 52 Step 6 - Extra pay secondary income	August Bill <b>(INC 4471)</b>	20/12/2010 <b>(15/ 9/2011)</b>
<b>57.</b>	<b>Section 3.2 page 11 – SL change to EMS</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>58.</b>	<b>Section 3.2.1 to 3.2.3 page 11-12 – SLCIR and SLBOR</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>59.</b>	<b>Section 3.2.4 and 3.2.5 page 14-15 – SB SL and ML SL</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>60.</b>	<b>Section 3.2.6 page 15 – Total SL deductions</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>61.</b>	<b>Section 3.2.7 page 15 – SL changes effective date</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>62.</b>	<b>Sections 3.2.8 &amp; 3.2.9 page 15-16 - EMS HDR &amp; DTL</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>63.</b>	<b>Section 3.3.1 and 3.3.2 page 21 – EDF Total SL deductions</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>
<b>64.</b>	<b>Section 4.1 &amp; 4.1.1 page 23-24 - PAR record and all references to 'authorised employee arrears amounts' removed as no longer IR practice.</b>	<b>PSG 633 - SIR 40689 Approved 08/08/2011</b>	<b>21/09/2011</b>
<b>65.</b>	<b>Section 4.1.3 page 22 - PAYE Intermediaries - DEP detail record</b>	<b>Student Loan Legislation 2010</b>	<b>26/08/2011</b>



66.	Section 4.1.4 page 26 - PAYE Intermediaries - DCP detail record	Student Loan Legislation 2010	26/08/2011
67.	Section 4.2.3 page 28 - PAYE Intermediaries - DTL new SL employee tax codes	Student Loan Legislation 2010	26/08/2011
68.	Section 4.2.4 page 29 - PAYE Intermediaries - DAL new SL employee tax codes	Student Loan Legislation 2010	26/08/2011
69.	Section 5.3.3 page 36 - Clarification for KiwiSaver - Employees under 18 added	INC 36901. - Large Enterprises. LTS Wellington.	21/09/2011
70.	Section 6.1 page 43 - new SL tax codes and repayment codes added to Tax Code table	Student Loan Legislation 2010	26/08/2011
71.	Section 6.2 page 44 - New ML SL tax code. New Step 6 added for clarification.	Student Loan Legislation 2010	16/09/2011
72.	Section 6.4 page 50 - Step 3 text added for clarification	Student Loan Legislation 2010	16/09/2011
73.	Section 6.6 page 52 - New SB SL tax code. Step 2 text added for clarification	Student Loan Legislation 2010	16/09/2011
74.	Section 6.8 page 55 - update flow chart to include SL tax code Step 2 truncation of SL added.	SL Legislation 2010 INC45818 - omitted in error	17/10/2011 16/09/2011
75.	Section 6.8.1 page 56 - Special Deduction Rate and Special Tax Codes	Student Loan Legislation 2010	16/09/2011
76.	Section 6.8.2 page 60 - Repayment deduction exemption	Student Loan Legislation 2010	16/09/2011
77.	Section 6.9 page 61 - Primary income flowchart updated from S to M. Step 6 - additional text. Website linked replaced with relevant link	INC45887 -Section 6.9 flowchart was same as 6.10 and incorrect. INC328389 - incorrect web link.	16/09/2011
78.	Section 6.10 page 64 - Step 2 - additional text	Student Loan Legislation 2010	16/09/2011
79.	Section 6.15 page 69 - Arrears payments.	Student Loan Legislation 2010	16/09/2011
80.	Section 7.3 page 79, to Section 7.4 page 84-86 - ESCT legislation changes	Budget 2011 Project	20/10/2011
81.	Section 8.1 page 88 - Check digit validation, process notes have been revised and updated	INC76596 correction to error identified	26/08/2011
82.	Sections 6.2, 6.3, 6.5, 6.6, 6.9, and 6.10 - Amend references to ACC Earners Levy to rate of 0.0170 and amend calculations accordingly.	Government Solutions-CAB Min (11)37/19	22/11/2011
83.	Section 6.2.1 page 47 - 'Children under 18 don't qualify for the ML code', corrected to 'children under 19'	Software Developers Liaison Unit. INC171382	03/04/2012
84.	Section 1.3 page 6 - C-Series specification for 2013 will not be issued.	Software Developers Liaison Unit	24/02/2012

85.	Section 2.2.7 page 8 – Error messages, content updated	SD&I – instructions for ir-File error codes incorrect	05/03/2012
86.	Section 3.2.2 page 13 – Student Loan – SLBOR updated. Gross income to be used in calculation.	Software Developers Liaison Unit	21/02/2012
87.	Section 3.2.4 page 14 – Making SLCIR and SLBOR deductions when there are no standard deductions.	Software Developers Liaison Unit	20/02/2011
88.	Section 3.2.9 page 16 – KiwiSaver employer contributions, change to notes.	Budget 2011 Project	24/02/2012
89.	Section 3.2.10 page 17 – Student Loan deduction, text added for clarity.	Student Loan Project	13/03/2012
90.	Section 5.3.3 page 36 – EMS DTL fields required when employee < 18, earnings < \$45 with a KiwiSaver employee contribution.	Software Developers Liaison Unit	21/02/2012
91.	Section 5.3.4 page 36 – KSE when earnings < \$45.00 per week.	SD&I – as a result of developer feedback	05/03/2012
92.	Section 6 page 43 – Gross amount < \$1.00	Large Enterprises	24/02/2012
93.	Section 6 page 43 – ML SL added at step 3	Added to correct the omission of ML SL.	12/03/2012
94.	Section 6.2 page 44 – new step in process chart, step 6 Calculate child tax credit.	Software Developers Liaison Unit	21/03/2012
95.	Section 6.8.2 page 60 – Example of Special Deduction Rate certificate	Student Loan Redesign Project	08/03/2012
96.	Section 7.3 page 79 – ESCT calculation updated.	Budget 2011 Project	20/02/2012
97.	Section 6 page 43 – Gross earning less than \$1.00. Information modified.	Large Enterprises	02/05/2012
98.	Section 6.2 page 44 – Modified M/ML SL to M/M SL.	SD&I – as a result of developer feedback	02/05/2012
99.	Section 6.9 & 6.10 pages 61 & 64 – step 3.1, pay amounts replaced by pay days.	SD&I – as a result of developer feedback	08/05/2012
100.	Section 7.3 & 7.4.5 page 79 & 83 – ESCT sections replaced and update.	Budget 2011 Project	14/05/2012
101.	Section 7.45 page 85 – ESCT calculation corrected and duplicate/old section of text removed.	Budget 2011 Project	28/05/2012

END