



Payday filing is almost here

From 1 April 2019 there will be some important changes to the way PAYE information is reported to Inland Revenue. Employer monthly schedules will be replaced with a requirement that employers send 'employment income information' to Inland Revenue within a few days of each pay day.

Please note no changes have been made to employers' obligations to pay PAYE and other deductions to Inland Revenue. These will still be due on the 20th of the following month along with the employer deductions form (IR345).

In summary, from 1 April 2019 employers must:

- File 'employment income information' every payday instead of the old employer monthly schedule (IR348).
- Provide new and departing employees' address information, as well as their date of birth - if known.
- File electronically (from payday compatible software such as Xero or through myIR) if annual PAYE/ESCT is \$50,000 or more.

Where no PAYE income payments have been paid in a particular pay period there will be no requirement to submit a 'nil' payday return.

However, where payments have been made late filing penalties will apply (as they currently do for employer monthly schedules) if 'employment income information' is not filed on time.

What does 'employment income information' mean?

- All information that is currently reported on the employer monthly schedule;
- The date of the payday; and
- The amount of ESCT for each employee.

New and departing employees

Certain information will be required to be reported for all new employees which will be a combination of the information currently reported in the tax code declaration and kiwisaver deduction forms (these forms will no longer be required). An employee's date of birth and address is a new requirement.

New employee information is required to be reported to Inland Revenue no later than the first time payday information is provided relating to that employee. However, Inland Revenue encourages employers to provide this information straight away.

For departing employees, Inland Revenue will require employers to report the date they stopped being an employee and this needs to be reported at the time the last payment is made to them.

Reporting requirements

Reporting requirements differ depending on the type of 'employer group' that an employer will fall into. The types of 'employer groups' are outlined below:

Online group

- All PAYE intermediaries fall into this group.
- Employers who withheld \$50,000 or more of PAYE and ESCT in the prior tax year and those who have chosen to file electronically.

Employers in this group must file 'employment income information' within **2 working days** of payday.

The process for reporting online will involve completing a new onscreen form and uploading the details through Inland Revenue's website or direct from your payroll software (ie Xero or MYOB).

Non-electronic group

- Small payroll (PAYE and ESCT of less than \$50,000 was reported in the previous tax year and paper returns are currently submitted).
- Includes "new groups of employers" – see below.
- Includes employers currently exempt from electronic filing.

Will generally file 'employment income information' within **10 working days** of payday.

Employers in this group will submit their information using a prescribed paper form.

New group of employers

- An employer will be in this group for the first six months of employing staff regardless of how much PAYE or ESCT they withhold during that period.
- Same reporting obligations as the 'non-electronic group'.
- Once the six month period is up the amount of PAYE and ESCT withheld will determine which group the new employer is in.

Other considerations

Employees providing information

Please note IR56 taxpayers, for example private domestic workers and employees of foreign embassies who are paid a gross salary and return the paye to Inland Revenue on behalf of their employer, will also have an obligation to provide employment information to Inland Revenue within 10 working days after the end of the month.

Certain special payments

Special rules apply to the following types of payments (we recommend contacting us prior to making these types of payments to ensure they are reported correctly):

- Irregular payments (ie a bonus) – These may be reported on a payday basis or as if they were paid on the next regular payday.
- Scheduling payments, payments made to persons on shadow payrolls and employee share scheme payments – These are generally able to be reported on a payday basis or twice monthly.

What to do now?

Payday filing will be compulsory from 1 April 2019, however there is an option for early adoption where paye returns are filed through MyIR.

We understand the various payroll providers such as Xero and MYOB are currently in the process of upgrading their systems to be able to implement payday filing from 1 April 2019.

Employer monthly schedules (for those reporting under the old rules) will continue to be required to be filed up until 31 March 2019.

Please note, if we currently administer your payroll and file your employer monthly schedule, we will also be transitioning you to payday filing and filing the appropriate forms. Your Chapman's advisor will be in contact with you if any further information is required.

If you have any questions please contact your Chapman's advisor on 09 831 0205.