

PAYE and withholding tax

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Policy statement and principles

What

Police has a legislative duty as an employer to include complying with the income tax legislation and ACC legislation. Failure to do so is an offence and can result in penalties and fines being imposed on Police.

Why

Police must fully comply with PAYE and Withholding Tax legislation requirements. This includes the timely filing of payroll returns and associated payments for PAYE, withholding tax and Employer Superannuation Contributions Tax.

How

This will be done by ensuring that Police:

- meet all its obligations for withhold PAYE, ACC levies and withholding tax from schedular payments;
- make all payments of PAYE, ACC levies and Withholding Tax from schedular payments by the due date; and
- file all Inland Revenue (IR) returns within IR specified time scales; and
- meet all record-keeping requirements. Police is an employer for payroll purposes and must, therefore, make various deductions from salaries and wages, such as PAYE, student loan repayments, child support, ACC earner premium and Kiwi Saver employee contributions where applicable.

Overview

Accessing full PAYE and Withholding Tax policy

s.9(2)(b) OIA

Contact with the Inland Revenue

Contact with the Inland Revenue (IR) on PAYE and Withholding Tax policy matters is restricted to:

- Chief Finance Officer (CFO)
- Manager Corporate Finance

This ensures that Police has central contact points with IR on matters of financial policy for GST. It also ensures a consistent national approach and policy for goods and services taxation provided to staff. When Police needs a ruling or advice on a particular goods and service category, advice can be sought at an appropriately senior level within IR.

Incurring problems accessing the PWC site

Should there be any unforeseen difficulties in accessing the full policy please contact the Manager: Policy, Practice and Performance in the Finance Group.

Withholding Tax supplementary to PCW site

Inland Revenue (IR) Schedular Payments

All Accounts Payable Vendors falling under the Schedular Payments Income Tax Act Schedule 4 must have completed and submitted to Accounts Payable the IR 330c declaration prior to invoices being paid or have submitted to Accounts Payable an exemption certificate issued by the IR.

If the IR 330c is not completed then the standard rate tax code will not be applied instead the no-notifications rate % will be withheld as per the IR Schedular payments tax rates as per section 32 of the policy.

IR 330c allows for a vendor to select their own taxation rate. Police will allow for this, but it does not permit more than 2 rate changes from the default WHT rate in a 12 month period, and that all requests for a rate change have to be received in writing by the Shared Services Team.

Voluntary Election of Withholding Tax

Police does not permit those carrying out activities that are not in schedule 4 of the Income Tax Act 2007 to voluntarily elect into the Withholding Tax regime.

PAYE Tax supplementary to PCW site

People Group Information System

All remuneration paid to an employee, whether of an income or taxable allowance nature (including any reimbursement or computerised allowances considered to contain a benefit allowance), must be paid to employees through Police's Payroll software.

Housing for Employees - supplementary to S23

The Commissioner sets the rental rates within an agreed methodology with the IR. Concessionary rental rates are available to employees who rent "Tied and Hard to Fill" houses. Rent is deducted from employees' fortnightly salary.

If an employee rents a Police house as concessionary rates a taxable benefits is deemed to have been received from Police. This taxable benefit is subject to PAYE on the difference between the Police rent and the market rent.

Example

House A is rented to an employee for \$46 per fortnight

House A market rent is \$340 per fortnight

The employee is subject to PAYE on \$294 per fortnight

However, if an employee rents a 'Tied or Hard to Fill' property they will be eligible for a grossed up allowance to offset the tax burden. The allowance does not apply to transfer rate or market rate rentals.

Further information on this can be obtained by contacting Police Payroll at Payroll@police.govt.nz.
