

The tax system is changing. Over time, it will become simpler and faster for you to meet your tax obligations, giving you more time to focus on growing your business.

## *Improving the administration of PAYE will benefit all areas of the tax system*

At the moment, your employee's income information is reported to Inland Revenue once a month, on the employer monthly schedule. This means that tax and other payments, such as entitlements from the Government, are often based on old information that doesn't accurately reflect a person's financial situation.

In 2015, the Government proposed changes to PAYE reporting that would not only save businesses time, but would ensure that Inland Revenue received more up-to-date information to use when calculating tax and entitlements for New Zealanders.

These proposals are now moving through the parliamentary process. If the law is changed, Inland Revenue will let you know before any changes happen.

## *Proposals for PAYE reporting in the future*

- You would be required to file PAYE information on a payday basis. This would be voluntary from 1 April 2018 and mandatory from 1 April 2019.
- If you use payroll software, you would be able to file directly from the software.
- There would be minor changes to PAYE rules for holiday pay paid in advance and to the rules for when threshold and rate changes come into effect.
- In order to get more accurate payroll information, you would be required to gather and provide to Inland Revenue your employees' date of birth information and contact details for all new employees.
- Many small businesses are already moving to online services, the Government believes the existing payroll subsidy is no longer necessary – it is proposed this will end from 1 April 2018.
- The threshold for compulsory electronic filing of PAYE information would reduce from \$100,000 a year of PAYE and Employer Superannuation Contribution Tax (ESCT) deductions to \$50,000 a year.

Talk to your business advisor or accountant about what these mean for you.

The dates by which PAYE and related deductions have to be paid to Inland Revenue would not change. However you would be able to make these payments on payday if you choose to.

## *Tax in the future*

In the future, tax will be a simpler part of life – for individuals, businesses and families.

Payday reporting means that in the future Inland Revenue will have the information it needs to improve the administration of payments such as Working for Families Tax Credits and child support. This will give New Zealand families more certainty about what support they're entitled to and what their payment obligations are.

Obtaining PAYE information on a payday basis will also help to improve individuals' income tax. In the future, taxpayers with only straightforward sources of income may not have to provide Inland Revenue with information. Instead, Inland Revenue would use information to automatically calculate refunds or amounts of tax to pay. This could make tax simpler for around three million New Zealanders!

The Government is in the process of consulting on the social policy proposals and the consultation on individuals' income tax has just finished. For more information, go to [makingtaxsimpler.ird.govt.nz](http://makingtaxsimpler.ird.govt.nz)

## *Streamlining the reporting process will give you more time to spend on your business*

Let's imagine we're already half-way through 2019 and the changes have become law.

Awhina owns a small restaurant and until recently had just three employees. Then she started offering 2 for 1 dinner options. The promotion was such a success that Awhina had to hire two new part-time employees to keep up with demand.

Awhina used to file her PAYE information on paper, but she began to find it harder to keep on top of all the paperwork. After all, her team - and her paperwork - almost doubled in a short amount of time!

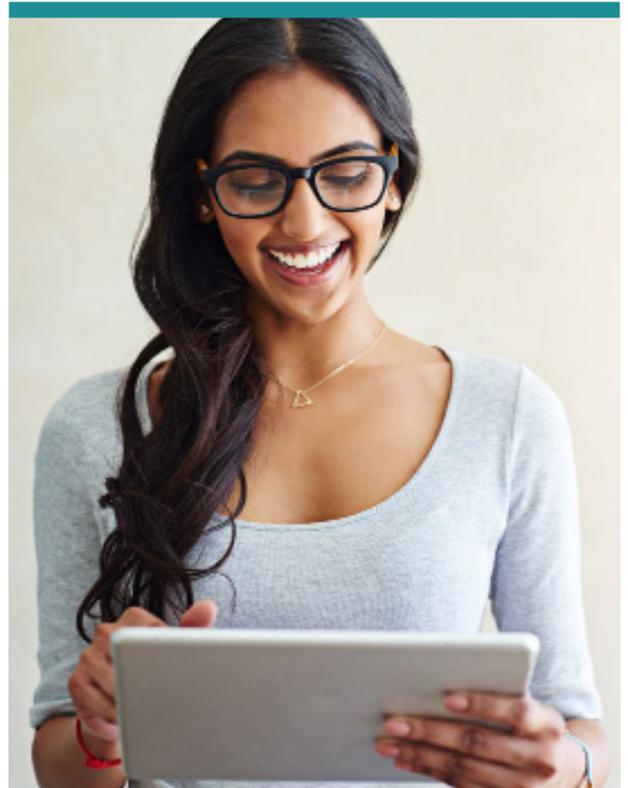
She was worried she wouldn't be able to stay on top of her filing obligations, so decided to invest in payroll software in time for the start of payday reporting in April.

Awhina pays her staff weekly. She pays her employees by direct credit and the system automatically sends instructions to the bank to pay her employees.

Now Awhina finalises her payroll weekly, as she has always done, and the system prompts her to file the PAYE information the system has generated. She uses the payroll system to send the information directly to Inland Revenue, without ever having to leave the system.

Awhina really likes that she doesn't have to store each week's paperwork and try to remember to complete the employer monthly schedule and send it to Inland Revenue at the end of the month.

Awhina now finds her payroll more straightforward. She never forgets to file her PAYE information, and doesn't have to worry about losing track of paperwork. She has extra time that she's been using to think up new promotions.



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### *Filing from software*

Increasingly employers are using payroll software to help them run their organisations, and research into SME compliance costs shows that using technology, such as software, in business is reducing compliance costs.

Filing directly from payroll software will streamline the process of providing PAYE information.

Although software can help you save time and simplify your business processes, employers can still use online services and small employers can continue to file on paper.