

MAKING TAX SIMPLER

BETTER ADMINISTRATION OF PAYE AND GST

makingtaxsimpler.ird.govt.nz

The Government wants to make it easier for people to manage their tax obligations by using modern digital technology to provide faster, more accurate and convenient interactions with Inland Revenue.

This discussion document continues the Government's focus on finding out what New Zealanders want to see in our future modernised tax system.

Specifically, this paper consults on proposals to design digital services for PAYE and GST that will, as much as possible, integrate tax requirements into the tasks that people would already be doing as part of running their business or organisation.

There are approximately 190,000 employers who make PAYE payments to Inland Revenue on behalf of their employees, and 630,000 GST-registered persons and businesses. Meeting these obligations is a significant task for many, whether running a small business, a non-profit organisation or a larger company. I believe that the time that employers and those who are GST-registered take to meet their obligations is time they would prefer to use to advance their business – or spend with their family. Integrating PAYE and GST filing into business software could eliminate some processes and simplify others. While the proposals in this discussion document focus on how this might be done, it is recognised that some customers either cannot access digital services or do not use payroll or accounting software.

Our starting point for the discussion is to minimise customers' costs in providing PAYE and GST information, Inland Revenue's costs to process the information, and in the case of

PAYE, improve the timeliness, quality and usefulness of the information for everyone involved.

More timely and better quality PAYE information would allow Inland Revenue to improve the accuracy of PAYE deductions. This, in turn, would improve individuals' access to social policy entitlements. Better information would also provide an opportunity for the Government to make future improvement to the design and operation of social policies for New Zealanders.

We are also consulting on a number of options for changing some of the PAYE rules that employers have told us are confusing or complex.

This discussion document is your opportunity to tell the Government how you would like PAYE and GST to operate in the future. Please consider the proposals set out in this paper and take some time to tell us what you think. The way you do your PAYE and GST could soon be a lot better as a result.



A handwritten signature in black ink, appearing to read 'Todd McClay'.

Hon Todd McClay
MINISTER OF REVENUE

CONSULTATION TIMELINE



THE PROPOSALS

PAYE

Better administration

- Change PAYE to streamline some processes and eliminate others.
- Employers could provide PAYE information to Inland Revenue at the time the business process occurs (for example, information about PAYE and deductions would be provided when the pay is calculated). Three alternative options to implement this change are proposed.
- The PAYE electronic filing threshold for PAYE and employer superannuation contribution tax would be lowered from \$100,000 to \$50,000 a year of PAYE and employers superannuation contribution tax, to reflect the increased use of electronic services by small and medium-sized employers.
- Consider whether employers should send PAYE and related deductions to Inland Revenue at the same time they pay their employees.

Modernising some PAYE rules

We are also consulting on options to modernise rules for:

- tax deducted from an extra pay
- the tax treatment of holiday pay
- withholding tax in years in which an extra pay day will occur
- better accommodating a legislated rate-change across tax types

Better administration for GST

- GST-registered persons could submit GST returns to Inland Revenue directly from their accounting software, rather than filing a GST return as a separate process.
- Make GST refunds only by direct credit to a customer's bank account unless it would cause undue hardship or is not practicable.
- Consider whether some GST-registered persons over a certain threshold should be required to submit their GST returns electronically (through existing or new services).

HAVE YOUR SAY

Go to makingtaxsimpler.ird.govt.nz to find out more about these proposals and to have your say.

Some of these proposals would require changes to the law. If the proposals are passed by Parliament, Inland Revenue will communicate the changes to businesses well in advance of the changes coming into effect.

Consultation is open until Friday 12 February 2016.

PAYE – ERIN: Small business

Erin and Mike run a motel in a popular holiday destination. Erin does the books and the weekly payroll and supervises the staff. Two years ago they invested in a basic payroll package to calculate the wages but Erin still finds filing PAYE information a pain. Before the 20th of the following month, on a completely different cycle from her payroll, she files the previous month's PAYE information from her payroll system, goes into myIR and uses ir-File to attach the information and then send it to Inland Revenue.

What if Erin's payroll package alerted her with a message when the payroll was finalised – "submit details to Inland Revenue?" and presented her with the information to be submitted? Erin could meet her PAYE information obligations there and then.

PAYE – SEFA: Medium business

Sefa is a payroll officer for a construction firm. Turnover is relatively high amongst their labourers. When they first start Sefa spends a lot of time sorting out their tax codes and deductions. Some labourers have left before Sefa sorts their details and Inland Revenue keeps sending information about them after they have left.

What if Sefa could use the payroll system to send the details of new employees to Inland Revenue and get an automatic response with their KiwiSaver status, and any required deductions - all before the business starts to pay them? This ensures he gets the new employee set up correctly right from the start. He could also use the payroll system to send a message to Inland Revenue when he takes an employee, who has left, off the payroll. This would stop Inland Revenue sending him further information about an ex-employee.

GST – ROB: Small business

Rob runs a plumbing business and is GST-registered. He does all the admin and books himself, using accounting software. Rob enters all the information he needs to file his GST return into his accounting software. He files his GST return online through Inland Revenue's myIR service. However, Rob is frustrated that every time he files a GST return he has to manually copy the information from his accounting software to the GST return form in myIR, needing to switch back and forth between screens.

What if Rob's accounting software would automatically pre-populate the GST information needed for his GST return and, after checking that all the information is there and correct, Rob could file his return with Inland Revenue directly from his accounting software?

