



## ***PLANNING FOR THE HOLIDAY SEASON***

**Each year we like to remind clients about the obligations for the holiday season.**

Over the past couple of years, holiday pay errors by government departments and large business have been in the news with staff being short-changed. One issue relates to there being two ways to calculate holiday pay – either on the basis of ordinary weekly pay or an employee's average weekly earnings over the past 12 months. In brief employers must pay whatever gives the employee the most money.

As the statutory holidays all fall during the week, there is no "Mondayisation" this season. However, employers and employees may agree in writing to transfer the observance of a public holiday to another working day to meet the needs of the business or the employee. An employee can be required to work on a public holiday only if the individual would otherwise have worked on that day and if the employment agreement requires the person to work on public holidays. In all other circumstances, employees need only work on a public holiday if they agree to do so and this should be recorded in writing.

### ***Public Holiday Pay***

An employee must be paid for a day off on a public holiday if it falls on a day that the employee would otherwise have worked. If there is a public holiday when employees are on annual leave, they get paid for the public holiday if they would normally have worked on that day, and do not lose an annual leave day. **Employees who do ANY work on a public holiday are entitled to be paid at least time and a half for the time they actually work and a full day in lieu.**

### ***Annual Holiday Pay***

Employees are entitled to a minimum of four weeks pay for every 12 months of service. Holiday pay for annual leave is the greater of:

1. The average weekly gross earnings for that employee over the year (including any overtime), and
2. The current ordinary weekly pay (excluding overtime), at the time the leave is taken.

Holiday pay must be paid to the employee before they take leave, unless the employer and employee agree in writing that the normal pay cycle will continue undisturbed during the holiday.

### ***Cashing Up Annual Leave***

An employee may request in writing to be paid in cash for up to one week's annual leave per year and this may be granted by the employer. The request must be considered within a reasonable time and may be declined. The employee must be advised of the decision in writing and no reason is required to be given. If granted, the payment must be at least the same as if the employee had taken the holidays and must be paid as soon as practical – usually the next pay day. An employer cannot pressure an employee into cashing up holidays.

### ***Casual Staff***

Casual employees are not entitled to annual leave. Instead, they receive 8% over and above their gross earnings. If they agreed to be paid the 8% on a pay as you go basis on each pay day, then they are not entitled to extra holiday pay in the event of a business close down. If they have not been paid on a pay as you go basis, and the business has a close-down period, then they are entitled to 8% of their gross earnings less any payments already made from that amount. It is important to show the 8% as a separate entry on their pay slip or pay record. For public holidays, if it is clear that a casual employee would have worked on that day (had it not been a public holiday), then they are entitled to be paid for that public holiday just like any other employee.

With casual staff, it is crucial to keep an eye on their hours. If a regular pattern has formed, then they could lose their status as a casual employee and become either a full or part-time employee.

### ***Staff Christmas Party***



The cost of the food and drink for a staff party as well as incidental expenditure relating to the party such as entertainment, music etc will be 50% deductible for income tax purposes. This applies whether the party is on the business premises or off site.

### ***Gifts to Staff***

Generally the cost of gifts to staff (other than food and beverages) will not fall within the entertainment tax provisions and will be fully deductible. However, in the majority of cases the gifts will constitute fringe benefits. The \$300 per employee per quarter FBT exemption may apply.

### ***Cash Bonuses for Staff***

Cash bonuses are taxable to the employees. The employer is required to deduct Kiwisaver and PAYE, at the extra emolument rate. The following link is a guide on taxing bonuses.

<https://www.ird.govt.nz/roles/employers/non-standard-filing-of-employment-information/lump-sum-payments>

## **INLAND REVENUE CHANGES THAT ARE COMING**

### **No More Cheques for IRD**

IRD will not be accepting cheques from 1 /3/2020. If you prefer to use cheques, start preparing to change the way you pay your tax. If online banking worries you because of the risk of a hacker stealing your money, you could have a special bank account and put your tax money in it only when you are ready to pay it.

### **Inland Revenue have advised the following payment options**

- MY IR: Direct debit and card payments can be made from My IR.
- Online banking: One-off or scheduled recurring payments can be made using online banking.
- Money transfer: People based overseas can pay IRD using a money transfer service. Search for “Make a payment”
- On IRD website for more information.
- Credit or debit card via IRD website: Payments can be made by credit or debit card through IRD secure payment website. Go to our website and search for “Make a payment” and select “Pay using credit or debit card”.
- Westpac: EFTPOS or cash payments can be made at any Westpac branch or Smart ATM.

### **Some Interest Rates Are Going Up**

If you underpay your tax you will be charged 8.35% (was 8.22%) interest compounding monthly. This new rate was introduced on 29 August 2019.

At the same time, the rate payable to those who have overpaid was decreased from 1.02% to 0.81%. IRD says the new rates are consistent with the floating first mortgage new customer housing rate and the 90-day bank bill rate. Those who have an annual tax bill of \$60,000 or more should beware of this Use of Money Interest (UOMI) charge and aim to minimise it. If you have a 31 March balance date (most people) and if you pay your provisional tax in accordance with the amount calculated by Inland Revenue (5% more than last year for those who have got their accounts done or 10% more than the year before for those who have not got their accounts done), you will not be bothered with UOMI for your first (28 August) and second (15 January) instalments of provisional tax. However, you will get caught if your third instalment of provisional tax is not sufficient (see below) by 7 May.

Inland Revenue expects you to be able to work out your income for the year ending 31 March 2020 by 7 May 2020. Therefore, if your tax for the year is likely to exceed \$60,000, make a best guess at your income for the year ending 31 March 2020 within the five weeks allowed and if necessary, top up your 7 May payment.

### **Get Tax Right in First Year of Business**

Be careful if you are expecting a taxable income in excess of \$200,000 in your first year in business.

If the tax you have to pay at the end of the year is \$60,000 or more, Inland Revenue will charge interest on any short-paid tax at the rate of 8.35%. Don't sail through your first year waiting to see what happens. Get some tax paid.

A 6.7% discount of tax is available for individuals receiving self-employed or partnership income, who pay tax voluntarily in the year before they begin paying provisional tax.

### **Child Support Relief**

Inland Revenue will consider relief from child support debt on a case-by-case basis. Requests for a payment agreement may be made in writing or by telephone.

### **Kiwi Saver Change**

The KiwiSaver scheme is to be changed to allow those with congenital life-shortening illnesses to withdraw their money from KiwiSaver early. It is proposed that the applicant may choose the date of withdrawal and the amount. Once a withdrawal is made, the scheme will be considered to have ceased and the Government will not make any more contributions to KiwiSaver and neither will the employer be expected to contribute.

## TAX CALENDAR

# DON'T BE LATE

January 15

Second instalment of 2020 Provisional Tax  
(March balance date except for those who pay  
Provisional Tax twice a year)  
Pay GST for period ended 30 November 2019

April 8

Terminal tax for 2019  
(March, April, May and June balance dates)  
For all clients except those who have lost their  
extension of time privilege

If you think you won't be able to meet these payments in part or full on the due date, OR would prefer a more flexible arrangement for meeting your tax obligation refer to our website for more details on how TMNZ can assist. [www.cowleystanich.co.nz](http://www.cowleystanich.co.nz)



### STAFF NEWS – BOYS, BOYS, BOYS

Congratulations to the following staff members, Andrea on the birth of her second boy Jett, followed by the birth of Russell's first grandchild Ollie, and then most recently Wendy's first grandchild Toby. As you can guess there is plenty of baby talk happening in the office.

### A WEE BIT OF CHRISTMAS CHEER



### CHRISTMAS CLOSURE

**Our office will be closed from 4pm Friday 20th December  
and re-open on Wednesday 8th January 2020**

**Trish, Russell and the team would like to wish all our valued  
clients a happy and safe Christmas.**

**May 2020 bring you all much happiness good health, and success.**