PAYE

Employees earning a wage or salary are taxed directly from their pay. This is known as PAYE (pay as you earn). As an employer, you're responsible for deducting and paying PAYE income tax on your employees' behalf.

Payday filing

Each pay period you need to calculate and deduct PAYE. Each payday you send Inland Revenue the pay details for your employees. You also need to provide employee details, like start and end date, contact details and date of birth, for new and departing employees.

There are three options for payday filing:

1. Directly from your accounting software (if it's been enabled for payday filing).
2. Online through Inland Revenue’s myIR service.
3. On paper forms — but only if your annual PAYE and ESCT (employer superannuation contribution tax) is less than $50,000 or you're a new employer.

PAYE is pretty straightforward once you're set up. But different rules can apply to some payments, eg lump sum payments like bonuses or retirement payouts, or to special types of workers. If you're at all unsure of what you need to do, speak to Inland Revenue or a tax advisor.

Payroll deductions (/tax-and-accounting/tax-when-you-have-employees/payroll-deductions/)

Personnel files and record-keeping (/hiring-and-managing/managing-people-day-to-day/personnel-files-and-record-keeping/)

No need to file an Employer Monthly Schedule (EMS) or employer deductions form — these have been replaced with payday filing.

Quiz

Quiz: Tax basics

Find out what you know about tax types and levies for businesses and the self-employed. When you're done, follow the links in the answers for more details.

Calculating PAYE

The amount of PAYE you deduct depends on the employee’s tax code and how much they earn. To work out how much money to deduct, Inland Revenue has a calculator to help.
If you pay out holiday pay at 8% of annual income, use Inland Revenue’s tax on holiday pay calculator (http://www.ird.govt.nz/calculators/keyword/individualincometax/calculator-paye-holiday-pay.html).

How to fix filing errors

You can correct any mistakes in employment information you’ve already filed. This can be done online using Inland Revenue’s myIR service, by paper or by phone. If you file directly through accounting software or a payroll company, you may be able to do this through the software.

Payroll giving

If you use myIR to file and pay PAYE, your business can also offer employees payroll giving — where they can donate money from their pay towards a charity approved by Inland Revenue.

Payroll giving (http://www.ird.govt.nz/payroll-employers/returns-payments/pay-give-emp/) — Inland Revenue

Common mistakes

Avoid these common PAYE pitfalls:

- Getting the calculations wrong — getting it right is important both for you and your employee. Use Inland Revenue’s calculators to check.
- Failing to contact Inland Revenue if you realise you’ve made a mistake — errors can usually be corrected pretty easily.

Systems that can help (/tax-and-accounting/tax-time-tips/systems-that-can-help-at-tax-time/)
Quiz: Tax 201
(test-and-accounting/tax-when-you-have-employees/fringe-benefit-tax-fbt/#e4941)

Test yourself on the difference between fringe benefits tax and employee allowances.
(test-and-accounting/tax-when-you-have-employees/fringe-benefit-tax-fbt/#e4941)

Get started
(test-and-accounting/tax-when-you-have-employees/fringe-benefit-tax-fbt/#e4941)

GST dos and don’ts
(test-and-accounting/basic-tax-types/gst/)

When to register and deregister for GST, how to pay it and when, plus zero-rated goods and services.
(test-and-accounting/basic-tax-types/gst/)

Read on
(test-and-accounting/basic-tax-types/gst/)

Keeping people healthy and safe
(risks-and-operations/health-and-safety/what-is-reasonably-practicable/#e1460)
(risks-and-operations/health-and-safety/what-is-reasonably-practicable/#e1460)

See how with our visual guide
(risks-and-operations/health-and-safety/what-is-reasonably-practicable/#e1460)

How to pay employees for leave
(hiring-and-managing/handling-holidays-and-leave/paying-employees-for-leave/)

Whether you’re paying staff for holiday, parental or sick leave, our guide helps you get it right.
(hiring-and-managing/handling-holidays-and-leave/paying-employees-for-leave/)

Find out more
(hiring-and-managing/handling-holidays-and-leave/paying-employees-for-leave/)