

Payday Filing – Are You Ready?

At a Glance - From 1 April 2019 Employers will be required to digitally file employment information, within two working days of payday, instead of the current employer monthly schedule. This will impact most employers, including those who make schedular payments.

Below are the answers to some common questions:

What does payday filing mean for me?

- You will need to send your employment information (the pay details of your employees) to the IRD with your normal pay cycle (Weekly, Fortnightly etc)
- You will be able to file via your MyIR login direct from compatible software, through onscreen data entry or file upload from compatible software
- You will provide details for new and departing employees. This includes start and end dates, contact details and dates of birth. These details need to be provided **prior** to a new employee's first pay.
- You will file electronically within two working days of the payday
- You can make corrections to previously filed employee information online (this doesn't apply to negative adjustments).

When is PAYE due for payment?

There is no change to the current due dates for PAYE (either 20th of the month following of the 5th and 20th if you are required to make payment bi-monthly). Despite employers filing payday information much earlier, they should continue to make payment as they do now. The total payable will need to be tracked each payday. If payroll software is used the software may display the total due, however IRD has noted that they are working on making the total payable visible in MyIR.

What is a payday?

A payday means the day an employer makes a PAYE income payment to an employee. If this is via a bank transfer the payday is the date the employer instructs the bank to make the funds available.

What is a working day?

With reporting to IRD due within two working days of payday it is important to understand what a working day is.

The income tax legislation defines the meaning of a working day and the key points to note are:

- A working day is Monday to Friday.
- The days between 25 December and 15 January are excluded from the definition of working days for tax purposes. Payroll reporting information for a payday that falls within that period will instead be due on 17 January at the earliest (assuming 16 and 17 January are working days).
- While New Zealand's national public holidays (Good Friday, Easter Monday, Queen's Birthday, Anzac day, Waitangi day and Labour day) are not working days for tax purposes, regional holidays (Anniversary days) are working days and must be included when determining when the payday reporting information falls due. Employers will have until midnight that working day to file online.

Can information be filed in advance of payday?

It will be possible to file payroll information in advance of payday, provided payroll information has been completed. This may be necessary around big holiday periods, such as the recent summer break many enjoyed, or when payroll staff will be away. If any errors do occur, it will be possible to amend the filed returns.

What if a return is nil?

There is no requirement to file payday information when it will be a nil return, nor does the electronic payday reporting system allow nil returns to be filed. IRD has provided assurance that their software will be able to distinguish between an unfiled return and a return that hasn't been filed because it's a nil return. Irregular filers will also be recognised and recorded as such in the IRD system. As a result of the systems in place to analyse filing patterns IRD expects to be able to determine when late filing penalties should be imposed.

When can you register?

You can register now via IRD's MyIR system. However, once registered you're in and you'll have to comply with all the payday reporting requirements and won't be able to go back to the old system, whether or not 1 April 2019 has passed. Payday filing starts at the beginning of the following month after you've opted in, unless it's after 1 April 2019 when it becomes compulsory. For employers who will only be adopting payday reporting from 1 April 2019, it is worth considering registering from 1 March 2019 to provide time to familiarise yourself with the new system. Registering in March will only make payday reporting applicable from the compulsory start date of 1 April 2019.

Are you ready?

The move to payday reporting raises a number of important requirements, such as:

- Reviewing all payroll function requirements to check current processes will support the increased frequency of reporting that will be required.
- Engaging with your payroll software provider to determine their development roadmap and timeline for release of enabled software.

IRD has published useful information to help ensure that Employers are payday reporting ready and this available at <https://www.ird.govt.nz/campaigns/2018/campaign-payday-filing.html>

Do we file your PAYE?

If we file PAYE on your behalf we have these changes in hand.

We are working on moving our manual returns to software to help keep the extra time needed each month at a minimum, however extra time will need to be spent regardless.

Depending on your employees pay cycle it may be worth seeking agreement from them to adjust the frequency they get paid – payday filing fortnightly will require less time each month than payday filing every week.

Conclusion

The key point is to be prepared before the payday reporting requirements are compulsory. The changes can seem arduous but the intention behind them long term is to make processing easier and less time consuming for employers. We certainly hope to see the benefits sooner rather than later.

For further guidance on payday reporting and other payroll issues please contact **Devonee Lunt** from our office.

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