



**Payday reporting is coming...**

**Are you ready?**

Payroll compliance

2018/2019



**From 1 April 2019, most employers and intermediaries will be required to report 'employee income information' in place of the Employer Monthly Schedule.**

**Deloitte New Zealand is ready to help employers and intermediaries' front-foot the changes to PAYE reporting.**

# Employer and intermediary PAYE reporting obligations are going digital

## Payday reporting is coming!

From 1 April 2019 most employers will be required to electronically report employee-specific income and deduction information within two working days of payday. For employers and intermediaries who are ready to act now, Inland Revenue is ready to help transition early adopters to full digital reporting prior to April 2019.

Employers and intermediaries need to ensure that their payroll system can meet Inland Revenue's reporting standards.

This includes making sure that a range of new information (not previously required through the EMS) is collected and properly recorded.

These changes will affect all employers, especially those with weekly pay cycles, high employee turnover, those operating employee share schemes, running shadow payrolls and others with a high number of non-standard PAYE transactions. However, all employers and intermediaries need to consider the effect these changes will have on their systems and their payroll processing teams.

A key part of confirming you are payday ready, is to make sure you are treating the elements of your employees' remuneration and benefits packages correctly for tax purpose.

## What we can offer you – a PAYE compliance review

For employers and intermediaries, getting an external review of the appropriateness of both your payroll tax treatment and the quality of your processes and policies could be an invaluable step in demonstrating to Inland Revenue you have taken reasonable care regarding your tax responsibilities. Reviews can support more effective systems and process development, and can spot issues early to avoid problems down the line.

Our payroll review will focus on your current tax treatment of payments made to or on behalf of employees and your systems and processes. With only a few hours with your team, our PAYE specialists can help to put your mind at ease.

1

We send a Payroll questionnaire to key staff in your Payroll, Finance or HR teams.

2

We review the completed Payroll questionnaire, then meet with you to discuss any issues we identify from your responses including areas to be considered / explored further.

3

Based on the information we gather during Steps One and Two, we will provide you with a short summary on the quality of your processes and controls, any opportunities we identify, as well as key issues to mitigate.

4

We can also complete an in-depth report on key issues and opportunities, with an analysis of the relative risk associated with each area. We can provide additional advice or assistance to you around any corrections or disclosures to Inland Revenue.



While the Commissioner is initially taking an educational approach to non-compliance, taxpayers will still be penalised (\$250 each month or \$1 per employee for some) for unreasonable behavior or deliberately failing to report employee income information online where required!

## Are you comfortable that you are getting it right?

- Are you confident a complete set of information on employee benefits and pay elements is being communicated to your Payroll team?
- Who is responsible for your payroll reporting? Having the right team and internal processes is vital to getting it right.
- Inland Revenue is able to change information reporting requirements in the future. Are you confident your payroll system / provider can adapt quickly to any future changes?
- Inland Revenue often scrutinises the boundary between FBT and PAYE. Are you clear on the boundary for your organisation? Are you happy with how you are categorising PAYE transactions and employee benefits?
- Inland Revenue often looks at the treatment of contractors. Are you confident none of your contractors are actually employees for tax purposes? Are you aware of the withholding obligations on payments to certain types of contractors and withholding where required?
- Are you running a shadow payroll? Special rules apply to confirming your 'paydays' for reporting.
- Do you run an employee share scheme? Employers are required to report information and can return PAYE on share scheme benefits received by employees.
- Do you have real issues accessing digital services or think the cost of compliance will be unreasonable? We may be able to get you a reporting exemption or a unique reporting agreement with Inland Revenue.

- Are you sure employee and payroll information is up-to-date and relevant? This is especially relevant for employers with a high staff turnover.

## Why act now

Complying with the new payday reporting requirements means employers and intermediaries must correctly identify their 'paydays' for different types of payments and their 'employer group'. In some cases, employers may be able to report information on paper within 10 working days and may be able to:

- Limit reporting dates to twice monthly;
- Get an exemption from the new reporting rules; or
- Set up a special reporting relationship with Inland Revenue.

Failing to identify systemic or data issues before payday reporting goes live may compound issues down the line – it pays to get it right the first time! We've had clients in Australia that have transitioned to same day reporting for PAYG and have needed to take on extra payroll resources to cope with the queries from the Australian Tax Office and the tighter timeframes imposed on reporting.

Inland Revenue is also giving employers and intermediaries an opportunity to adopt the new reporting requirements early. There are competitive opportunities for employers and intermediaries who act quickly. Additionally, employers may wish to transition in a payroll cycle that minimises their compliance through the initial stages. But beware! Starting early will require employers and intermediaries to meet all payday reporting requirements, i.e. by both reporting straight away on new and departing employees and any out of cycle payments.

## Additional payroll support:

While you take care of the new payday reporting requirements, the timing is ripe to also optimise your payroll performance. Ensuring your payroll is operating effectively saves headaches down the line and is a long-term cost saver. We can also offer support in the following ways:



### Payroll team and training

- 'Tax technical' trainings for the Payroll, Finance and HR team.
- Selecting the right people to be involved in the payroll process from across HR, Finance, Tax. Review payroll internal processes and communication.



### Strategic

- Preparing Board reports, including analytics dashboards.
- Payday reporting scheduling.



### Policy / Guidance Review

- For example: Policies setting out the correct treatment and use of employee allowances, relocation costs, hurt & humiliation payments or contractor payments.



### Systems review / payroll compliance review

- Data inputs and classification review.
- Calculation / algorithm review.
- For example: A full review of holiday pay treatment.



### Disputes

- Supporting you through Inland Revenue dispute resolution.



### Payroll recalculation / remediation and independent testing

- A complex process requiring a strong understanding of payroll processes and data complexities and a high degree of trust and collaboration
- Confirm accuracy of the calculation of the historical liability



### Systems development / integration

- Preparing for future reporting requirements.
- For example: Review of SAP payroll system integration to Inland Revenue systems.



### Data health checks

- General or specific checks on the accuracy of data inputs including whether pay codes are being used appropriately / in the right situations.



### Payroll analytics

- Payroll visualisation, overview and outliers. Fraud testing. Leave analysis for optimisation.
- System errors identification.

If you'd like to talk anything payroll, please get in contact with your usual Deloitte professional.

Alternatively, please contact one of the following local payroll specialists using the details below.



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