

# It's now easier to give: Information for employees



## Take Action Now

- 1. Spread the word.** Talk to your workmates and your employer about payroll giving in your workplace. You could decide to support something together or individually – it could be a church, a sports group, an arts organisation or a school - as long as it has Inland Revenue donee status. Without donee status you won't be able to receive the tax credit. You can check status at the Inland Revenue website ([www.ird.govt.nz](http://www.ird.govt.nz)).
- 2. Consider switching** your current regular donations to payroll giving so you can receive an immediate tax credit and make your giving more affordable.
- 3. Visit [www.payrollgiving.org.nz](http://www.payrollgiving.org.nz)** for more information.

New Zealanders are naturally generous people. Each year an estimated 1.2 million of us volunteer our time and together we give more than \$1 billion a year.

Giving time and money helps people and communities across the country. Recent changes to our tax rules have made it even easier and rewarding to give in meaningful ways to make New Zealand a better place.

The changes include:

- the introduction of payroll giving
- clarification of the tax treatment of reimbursement payments and honoraria to volunteers
- removing the caps on the donations tax credit for individuals, companies and Māori authorities.

Whether your interests are social services, health, education, disability, human rights, the environment, social development, arts, culture, youth, women, ethnic or international, there's a nonprofit group that will welcome your support through giving time and/or money.

This flyer gives you information on the tax changes and discusses how these changes can benefit you and the organisations you support.

The Payroll Giving website [www.payrollgivinginfo.org.nz](http://www.payrollgivinginfo.org.nz) also has comprehensive information.



# Payroll Giving

## What is payroll giving?

Payroll giving enables you to make donations directly from your pay and receive immediate tax credits via PAYE – in other words, you can give as you earn. If you donate this way you receive an immediate 33.33 percent tax credit. For example, if you donate \$15, it actually costs you about \$10. There is a payroll giving calculator on the IRD website ([www.ird.govt.nz](http://www.ird.govt.nz)).

## What are the benefits of payroll giving?

### Employees

Payroll giving is immediate, simple and rewarding. If you give through payroll giving, you don't need to retain receipts and wait till you file an annual donation claim form to get your tax credits. Payroll giving means your donation and the 33.33 percent you get back happen immediately.

### Donee organisations

Payroll giving is an efficient, low-cost way to raise funds and receive regular income support. Regular and thoughtful giving helps nonprofit organisations spend less time on paperwork and more time doing what they do best in our communities.

### Employers

Payroll giving is an opportunity for businesses to demonstrate their commitment to their customers, clients and communities in a practical way. Because payroll giving is voluntary, employers have the choice of whether to offer the scheme. It is only available to employers who electronically file their employer monthly schedule and deduction form.

## How do employees become involved in payroll giving?

If your employer hasn't signed up for payroll giving and you'd like to donate this way then have a conversation about payroll giving with your manager. If your employer has introduced payroll giving then a process will be in place to get involved.

Employees and/or employers in participating companies choose donee organisations (ones that

have Inland Revenue approved status) to donate to through the scheme. There is a list on the Inland Revenue website of the approved organisations at [www.ird.govt.nz/donee-organisations](http://www.ird.govt.nz/donee-organisations).

### Employer responsibilities

Employers who offer payroll giving are responsible for:

- deducting the requested donation amount from the participating employee's salary or wage
- calculating the correct tax credits for each payroll donation made
- keeping records of all tax credits for payroll donations, donation amounts, donee organisations and payment dates
- passing the donation to the chosen donee organisations within the specified timeframe
- advising the donee organisations that the donations are made through payroll giving.

## An example

Hannah makes a payroll giving donation of \$12 to her chosen charity. She is paid \$2,140.00 every four weeks. This is her only job so her tax code is "M". Before the tax credit is applied her PAYE (tax and ACC Earners' Levy) is \$435.48.

The tax credit for Hannah's payroll donation is \$3.99. Her employer applies the tax credit when working out Hannah's pay and Hannah's PAYE is reduced to \$431.49 for that pay period.

Hannah's take-home pay is:

<b>Income</b>		<b>\$2,140.00</b>
less	PAYE	\$435.48
less	donation	\$12.00
plus	tax credit for payroll donation	\$3.99
<b>equals</b>	<b>take home pay</b>	<b>\$1,696.51</b>

To work out the tax credit for payroll donations and for more information, refer to Inland Revenue's website [www.ird.govt.nz](http://www.ird.govt.nz).



# Removing the caps on the donations' tax relief

The caps have been removed on the tax credits for donations given to donee organisations.

## What does this mean for individuals?

You can now claim a tax credit of one third (33.33%) of all donations you make up to the level of your annual taxable income. That means that for every \$1 you give as a donation you get 33 cents back. If you have made donations directly (i.e. not through payroll giving) to an approved donee organisation and you have the receipts, you can claim them on the Tax credit claim form (IR526).

## What do the changes mean for business?

Businesses are now entitled to a deduction for all donations made to donee organisations up to the total amount of their net income. The donation deduction also applies to unlisted close companies (companies with five or fewer shareholders). There are approximately 155,000 active close companies.

## Signify: ensuring staff members get rewards from giving

Wellington-based web and software development company, Signify, which employs 25 people, revamped its previous payroll giving scheme to take advantage of the new system.

Through the company's previous system, staff could support World Vision through voluntary payroll giving. Management then matched the amount donated dollar for dollar.

Signify also has a formal management budget for monthly donations, including support for the Wellington City Mission and does pro bono (free) work for organisations such as the Employers' Disability Network and the New Zealand Drug Foundation.

The company and its payroll provider are working together to change over to the new tax relief system for payroll giving. The new system allows employees to give to any charity of their choice through payroll giving. It will also reward them with the immediate 33.33 percent tax credit.



# Clarifying the tax treatment of volunteer payments

Volunteers may:

- be reimbursed for any expenses they have from their voluntary activities
- receive an honorarium (payment made for services where no fixed payment would normally be made)
- receive a combination of both reimbursement and honorarium.

## What are the rules for volunteer reimbursements?

Volunteers often incur expenses through volunteering such as travel and meal costs, buying special clothing, using their own telephone and so on. Reimbursements can be:

- for actual expenditure
- based on a reasonable estimate of expenditure likely to be incurred.

The reimbursement may be in a non-cash form, for example, as petrol or meal vouchers and can be made progressively as expenses are incurred or as a lump sum.

To further recognise the value of volunteers in our community, reimbursements for these expenses are treated as tax-free so they do not have to be included as income in tax returns.

These reimbursement payments may now be made to volunteers who are non-residents, such as a holidaying visitor. They will not be required to file a New Zealand tax return, as long as they receive no other New Zealand income.

## What are the rules around honoraria?

Honoraria are schedular payments (formerly called “withholding payments”). This means PAYE rules apply and these payments are taxed. If you pay honoraria to:

- an employee, use the PAYE calculator to work out the amount of tax
- someone who is not an employee, the payment is taxed at a flat rate.

If the payment is partly honoraria and partly reimbursement of expenses and the different amounts are clearly identified and recorded, the honoraria will be taxable income and the reimbursement will be tax-exempt income. If there is no distinction between the honoraria and the reimbursement, the entire payment is treated as honoraria and therefore taxed.

For more information refer to Inland Revenue’s website [www.ird.govt.nz](http://www.ird.govt.nz).



Visit [www.payrollgivinginfo.org.nz](http://www.payrollgivinginfo.org.nz) for more information.