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THE COMMISSIONER OF
INLAND REVENUE
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WELLINGTON



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REFERENCE No.

HEAD OFFICE

INLAND REVENUE DEPARTMENT

WELLINGTON

PUBLIC INFORMATION BULLETIN NO. 2.

PAYE TAX DEDUCTION ACCOUNTING

INTRODUCTION OF E.D.P. TECHNIQUES

The Department is on the threshold of applying electronic data processing (E.D.P.) techniques to its accounting procedures for recording the tax deduction payments received from employers.

PRESENT SYSTEM OF RECORDING

At present these payments are recorded on ledger machine accounts at each of the Department's offices and sub-offices and a separate card is maintained for each employer for each year of accounting.

OUTLINE OF NEW PROCEDURES

In future it is intended that this recording will be centralised in Wellington using the Railway Department's I.B.M. 1401 computer installation for this purpose. As an initial step a record of every employer in New Zealand has been established on magnetic tape. This record consists of the name, address and a reference number for each employer and when the scheme is inaugurated all payments and other transactions at present recorded on an employer's individual ledger card will be placed in correct sequence under his name on the magnetic tape. This tape will be constantly up-dated so that at the end of the tax deduction accounting year a complete record of all transactions and of the accumulated total of tax deductions brought to account by each employer will be readily available to facilitate reconciliation.

USE OF EMPLOYERS' REFERENCE NUMBERS

Computers are designed to recognise by number rather than by name and to ensure that payments and other transactions are recorded under the correct employer's name it has been necessary to allot a reference number to each employer. These numbers have been calculated by the computer and incorporate a checking feature which enables the computer to reject any material fed to it when the magnetic tape is being up-dated if the employer's correct reference number is not recorded on the material. This will safeguard the accuracy of the centralised record. This reference number has been recorded on the file of each employer at the district or sub-office which holds his tax records.

NEW MONTHLY PAY-IN SLIP BOOKLETS PRODUCED

To initiate the new system and to facilitate the use of the correct reference number by employers the monthly pay-in slips for tax deductions (IR 66) have been re-printed. They are bound in booklets with thirty pay-in slips and duplicates in each and are printed on no-carbon-required paper. They were produced on continuous stationery and before cutting and binding the name and the reference number of each employer were printed on each thirty sets using the computer facilities for this purpose. Thus each employer will receive from the Department a booklet of pay-in slips on each of which his name and reference number have been pre-printed. Under normal circumstances where only one payment a month is made this will represent over two years' supply.

DATE OF COMMENCEMENT

It is intended to commence the distribution of these booklets in November. A covering letter (addressed by the computer) will accompany each booklet and employers will be requested not to use them before 1 January 1964. They will also be asked to withdraw from use any of the old-style pay-in slips in their possession at that date and to ensure that any payments made by them after 1 January 1964 are on the pay-in slips on which their own name and reference number have been printed. It will be of the greatest importance that they should not use a booklet belonging to another employer.

MORE THAN ONE PLACE OF BUSINESS

Where an employer has more than one place of business in two or more tax districts and each place of business accounts directly to the Inland Revenue Department for the tax deductions for which it is responsible (including the completion of the annual reconciliation) a separate reference number has been allocated under the employer's name for each place of business. A booklet carrying that reference number on the pay-in slips will be issued direct to the place of business. However, where the Head Office of the business completes the annual reconciliation for the whole organisation one reference number only will be allocated but supplies of pay-in slips bearing that number will be provided for each of the branches.

Should an employer have several branches within the same tax district (but not extending into other tax districts) one reference number only will be allocated but additional supplies of pay-in slips bearing that number will be available for any of the branches which are responsible for the accounting of tax deductions.

ISSUE OF REPLACEMENT BOOKLETS

Because of these changes the uncontrolled issue of IR 66 booklets through the Post Office and the Department's offices will cease as from 1 January 1964 and all stocks of the old forms will be withdrawn. To allow for any employer to whom a new booklet has been issued exhausting his supply of pay-in slips (because of more frequent payments than once a month) the computer has been programmed to recognise when the twenty fifth slip has been actioned so that the Department can issue a replacing booklet in adequate time. After the first booklet the pay-in slips will have only the reference number entered in advance of issue and employers will be asked to enter on each slip as it is used the same name as will be printed on the original booklet issued to them.

NEW EMPLOYERS

It will be necessary for new employers to approach the local office of the Department for the issue of a booklet of pay-in slips. The local office will allocate a reference number from a series that will be made available to it and will enter it on the slips before issue.

CHANGE FOR "PRIVATE DOMESTIC WORKERS" AND OTHERS PAYING DIRECT TO TAX OFFICE

At present (if the employer does not elect to deduct and account for the tax deductions himself) a private domestic worker as defined in the PAYE legislation is required to account for the tax deductions to the Tax Department by the twentieth of the month following the payment of the wages. A "Monthly Statement" (IR 56) is in use currently for this purpose. A similar system applies to a number of other individual taxpayers.

Under the new system these IR 56 payers will be placed on the same basis as an employer. They have been allotted a reference number which with their name and address has been recorded on magnetic tape at the central computer.

Booklets of monthly pay-in slips bearing their name and reference number have been prepared and will be issued in November under cover of an explanatory letter for use after 1 January 1964. As from that date the "monthly statement" (IR 56) is to be supported by a completed pay-in slip (IR 66) when payment is tendered at the Post Office or Tax Office. Any employee or other person falling within this category for the first time will be issued with a booklet of pay-in slips and allocated a reference number on application to the local tax office.

"RUN-IN" PERIOD

As stated above the new centralised recording system will be introduced from 1 January 1964. However, until tax deductions made by employers up to and including March 1964 have been brought to account with the Department the current procedure of recording on ledger cards will be continued. This will facilitate the annual reconciliation required to be made by employers for the 1963-1964 tax deduction accounting year and will enable the Department to eliminate any unanticipated difficulties in the new system.

CHECKING FOR IRREGULARITIES

The computer has been programmed to take over the checking which is at present done manually for apparent irregularities in payments and for cessation of payments. In these cases it will address an enquiry form for issue to the employer through his local tax office.

SUMMARY

- (1) New "monthly pay-in slips" (IR 66) will be issued to all employers commencing in November 1963.
- (2) Employers are asked not to use these slips until after 1 January 1964.
- (3) They must then ensure that they use only the pay-in slips which have been issued to them and must not make use of those issued to another employer.
- (4) Similar action will be taken for "IR 56" payers.
- (5) New or replacement booklets of pay-in slips will only be available from the Department's offices.