



OFFICE OF THE COMMISSIONER OF INLAND REVENUE

Public Information Bulletin

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New rates of income tax

In his recent statement, the Minister of Finance the Hon. R.D. Muldoon, announced a temporary surcharge of 3½% on all personal income tax on income derived during the years ended 31 March 1971 and 1972.

Here is a summary of the changes now included in the Land and Income Tax Amendment Act 1970.

OUTLINE OF PAYE SYSTEM

First, however, this outline of how our PAYE system works will give a better appreciation of the changes.

Personal income for PAYE purposes falls into two general classes—

- ♦ Salaries and wages and all other forms of remuneration—PAYE tax is deducted at time of payment.
- ♦ Business, farming, investment and professional income — tax is not deducted at time of receipt but the taxpayer pays “provisional tax” usually based on the income tax paid for the previous year.

In both cases an adjustment or “square-up” is made when the return of income for the particular income year is furnished.

- ♦ Tax, which is called “Terminal tax”, is assessed on the basis of the annual return, and
- ♦ Credit is allowed for the tax deductions or provisional tax paid during the year.

If there is an overpayment the taxpayer will receive a refund or credit against future tax — if insufficient tax was paid there will be further tax to pay.

New rates of income tax continued

CHANGES FROM 1 DECEMBER 1970

PAYE tax deductions for the last four months of the current income year to 31 March 1971 and provisional tax for the same year are to be increased. Terminal tax for 1971 will also be subject to the surcharge.

Note that there is no double surcharge – the total amount of PAYE tax deductions or provisional tax including any surcharge paid will be credited against the terminal tax.

PAYE TAX DEDUCTIONS

For the 8 months period from 1 December 1970 to 31 July 1971 PAYE deductions on salaries and wages and all other forms of remuneration are increased by 10%. The first 4 months of this period fall into the 1971 income year and the second 4 months into 1972. The 10% for 4 months of each of the income years (1971 and 1972) is equivalent to 3½% surcharge for a full year.

New tax tables are now available for the period from 1 December 1970 to 31 March 1971. See page 7 for when tables first apply and page 8 for tables available. Separate tables will be issued later to apply from 1 April 1971.

If, because of changes in tax codes or fluctuations in income during the whole year, the addition of the 10% surcharge in the four months from 1 December 1970 to 31 March 1971 results in an overpayment, the excess will be refunded on receipt of the 1971 tax return. On application the Department will issue a special tax code now if there is likely to be a substantial overpayment.

New rates of income tax continued

PROVISIONAL TAX

As stated, provisional tax on farming, business, professional and investment income for the year ended 31 March 1971 is subject to the $3\frac{1}{3}$ % surcharge.

- ◆ If you have paid provisional tax in full or have already received an assessment showing your provisional tax for 1971, you will not be required to pay the surcharge at this stage unless you receive a further assessment from the Department.
- ◆ For assessments still to be issued the Department will add the $3\frac{1}{3}$ % surcharge on the 1971 provisional tax except where the amount involved is small.
- ◆ If you have an extension of time to furnish a return and your second instalment of 1971 provisional tax is payable before you receive an assessment, please work out your 1971 provisional tax according to the instructions on the 1970 return form and add $3\frac{1}{3}$ % (one-thirtieth) to the amount calculated. Then deduct the amount paid on your first instalment and the balance will be the amount to pay as the second instalment.

Remember, of course, that the 1971 provisional tax paid during the current year will be allowed as a credit against the 1971 terminal tax when it is assessed after the end of this income year and the $3\frac{1}{3}$ % surcharge will be finally adjusted at that point.

New rates of income tax continued

DIVIDEND INCOME

The rebates for the current year have been increased by $3\frac{1}{3}\%$ to ensure that the surcharge amounts to $3\frac{1}{3}\%$ of the net tax payable on your dividends. If you are calculating your 1971 provisional tax and have dividends, the addition of $3\frac{1}{3}\%$ to the provisional tax calculated in accordance with the 1970 return form will automatically give the correct result for the dividend tax.

The maximum rate of dividend tax for the 1971 year is increased from 32.5% to 33.58%.

UNIVERSAL SUPERANNUATION

The rebate for Universal Superannuation is increased to—

- ♦ \$54 for the full year, and
- ♦ \$4.15 per payment where the period is for more or less than the full year.

EXCEPTIONS

The surcharge does not apply to—

Companies, incorporated bodies, public or Maori authorities

Excess retention tax

Bonus issue tax

The 35c minimum rate of tax payable by trustees of specified trusts

Non-resident withholding tax

Visiting experts – in respect of maximum of 35%.

When new PAYE tables first apply

Some tables will apply only to earnings for a period starting on or after 1 December. Other tables apply to all payments made on or after 1 December 1970.

PRIMARY EMPLOYMENT

Primary employment tables apply to earnings derived in any pay-period which starts on or after 1 December 1970. For example if a weekly pay-period ends on 3 December 1970 the new tables will first apply to earnings for the pay-period ending 10 December 1970.

SECONDARY EMPLOYMENT CASUAL AGRICULTURAL WORKERS SHEARERS

Similarly these tables only apply to payments for any period commencing on or after 1 December.

EXTRA EMOLUMENTS WITHHOLDING PAYMENTS

All payments made on or after 1 December 1970 irrespective of period for which paid are subject to the new rates.

“Extra emoluments” include back pay, annual or special bonuses, lump sum payments to retiring employees.

“Withholding payments” include commission, directors’ fees, examiners’ fees, honoraria.

New PAYE tables

New PAYE tax tables for the period 1 12.70 to 31.3.71 have been printed and are now available from all tax offices.

TABLES AVAILABLE

- | | | | |
|---------|--|---|---|
| IR184A | ◆ Weekly |) | These Tax Tables also include
tables for— |
| IR184B | ◆ Fortnightly |) | |
| IR184E | ◆ Threeweekly |) | |
| IR184C | ◆ Fourweekly |) | |
| IR184D | ◆ Monthly |) | |
| | | | - Secondary Employment or Extra Emoluments |
| | | | - Casual Agricultural Employees |
| | | | - Withholding Payments when the
rate of tax is 8.25c or 11c per \$. |
| IR184F | ◆ Casual Agricultural Employees | | |
| IR184G | ◆ Shearers | | -including table for working out withholding
tax at 13.75c per \$ on shearing contracts. |
| IR184S | ◆ Absentees | | |
| IR184AA | ◆ Tax Tables for codes over S12 and M12. | | |

Weekly PAYE tax tables have already been issued to employers. Any employer who has not received the new tables or who uses other than weekly tables should get in touch with the tax office.

Included in this bulletin are tax tables for withholding payments at rate of 27.5c per \$. This rate applies to Company Directors' Fees and Fees payable to Examiners.

New PAYE tables allow increased wife exemption

In his Budget the Minister of Finance announced an increase in the special exemption for a dependent wife or husband and the housekeeper exemption.

The special exemption in each case is increased from \$240 to \$275 as from 1 April 1970.

As legislation approving this change has now been passed the increased exemption has been built into the new "M" code primary tables.

Company directors' fees and fees paid to examiners

TABLES FOR WITHHOLDING PAYMENTS WHEN RATE OF 27.5c PER DOLLAR APPLIES

From 1 December 1970

Earnings	Tax	Earnings	Tax	Earnings	Tax	Earnings	Tax
\$	\$	\$	\$	\$	\$	\$	\$
1	0.27	26	7.15	51	14.02	76	20.90
2	0.55	27	7.42	52	14.30	77	21.17
3	0.82	28	7.70	53	14.57	78	21.45
4	1.10	29	7.97	54	14.85	79	21.72
5	1.37	30	8.25	55	15.12	80	22.00
6	1.65	31	8.52	56	15.40	81	22.27
7	1.92	32	8.80	57	15.67	82	22.55
8	2.20	33	9.07	58	15.95	83	22.82
9	2.47	34	9.35	59	16.22	84	23.10
10	2.75	35	9.62	60	16.50	85	23.37
11	3.02	36	9.90	61	16.77	86	23.65
12	3.30	37	10.17	62	17.05	87	23.92
13	3.57	38	10.45	63	17.32	88	24.20
14	3.85	39	10.72	64	17.60	89	24.47
15	4.12	40	11.00	65	17.87	90	24.75
16	4.40	41	11.27	66	18.15	91	25.02
17	4.67	42	11.55	67	18.42	92	25.30
18	4.95	43	11.82	68	18.70	93	25.57
19	5.22	44	12.10	69	18.97	94	25.85
20	5.50	45	12.37	70	19.25	95	26.12
21	5.77	46	12.65	71	19.52	96	26.40
22	6.05	47	12.92	72	19.80	97	26.67
23	6.32	48	13.20	73	20.07	98	26.95
24	6.60	49	13.47	74	20.35	99	27.22
25	6.87	50	13.75	75	20.62	100	27.50

Earnings	Tax	Earnings	Tax
\$	\$	\$	\$
100	27.50	600	165.00
200	55.00	700	192.50
300	82.50	800	220.00
400	110.00	900	247.50
500	137.50	1000	275.00

WORK OUT TAX ON WHOLE DOLLARS ONLY

How to tax holiday pay

If you are not sure how to tax your employees' annual and statutory holiday pay, this item will help you.

Taxed Like Ordinary Wages

Holiday pay and pay for statutory holidays are part of the earnings of the week in which they fall.

Show it in your wage records as if your employee had worked during each of the days concerned.

Example-

A firm closes down on Thursday 24 December 1970 and opens again on Wednesday 13 January 1971. The employee coded "S" gets 10 days holiday, \$100 holiday pay and a Christmas bonus of \$50.

Pay Period Ending	Mon	Tues	Wed	Thur	Fri	Sat	Sun	Wages	Paye	Net Wages
25 Dec	W	W	W	W	S	-	-	\$50	\$ 9.18	\$40.82
25 Dec	Annual Bonus *					-	-	\$50	\$11.50	\$38.50
1 Jan	S	H	H	H	S	-	-	\$50	\$ 9.18	\$40.82
8 Jan	H	H	H	H	H	-	-	\$50	\$ 9.18	\$40.82
15 Jan	H	H	W	W	W	-	-	\$50	\$ 9.18	\$40.82

Key

- S - Statutory Holiday
- H - Employee on Holiday Pay
- W - Employee at Work
- - Employee not at work

* The Bonus of \$50 is taxed as an extra emolument at 23c. in the \$.

New tax office for Lower Hutt

Hutt Valley residents will receive a quicker and more direct service now we have opened a tax office in Lower Hutt.

Mr D. A. Stevens, Commissioner of Inland Revenue, officially opened the new office on 29 October 1970.

Mr J. Rodgers is the District Commissioner.

The following is a list of Post Offices coming within the Lower Hutt tax district. If you live in any of these areas your tax records are now held in the Lower Hutt office.

Alicetown	Mangaroa	Stokes Valley
Belmont	Manor Park Camp	Taita
Brown Owl	Maungaraki	Trentham
Eastbourne	Moera	Trentham Military Camp
Epuni	Nae Nae	Upper Hutt
Heretaunga	Park Avenue	V.I.C. Corner
Homedale	Petone	Wainuiomata
Kaitoke	Point Howard	Waiwhetu
Korokoro	Silverstream	Wallaceville
Lower Hutt	Silverstream Hospital	Waterloo

The address of Lower Hutt office is-

N.M.L. Building,
Cnr. Queens Drive and Bunny St,
Lower Hutt.

Postal address is -

Private Bag,
Lower Hutt.

Telephone number is 695-083

The new office will deal with all tax and duties payments and enquiries.