

INLAND REVENUE REQUIREMENTS

REGISTERING FOR GST

If your charitable organisation runs a taxable activity with an annual turnover (total income before expenses) of \$40,000 or more, you must register it for GST with Inland Revenue. Below that figure, registration is optional.

To work out the turnover, include only the income that is liable for GST. Do not include income that is not liable for GST, or income exempt from GST. For example, include income from trading activities (both with members and non-members), subscriptions, and grants and subsidies, but exclude income from donations, koha, bequests, residential rent, interest and dividends.

To register for GST, you will need to complete a GST application form obtainable from Inland Revenue office.

EMPLOYING STAFF

If your charitable organisation employs staff, you must register as an employer with Inland Revenue. To do this, you will need to complete an IR 66K form. IRD will give you all the information you need about the tax obligations of an employer.

These are the main things you will have to do as an employer:

- Deduct PAYE from your employee's wages, and pay it in to Inland Revenue
- Pay an ACC Employer Premium on your employees' wages, to cover the cost of work-related injuries .
- Pay Fringe Benefit Tax on any fringe benefits (perks) you give to your employees.
- Complete a schedule to report the dates that any employees start or finish working for you.
- Deduct Child Support from employees' wages if required.
- Deduct Student Loan repayments from employee's wages if required.
- Complete Employee's monthly schedules

EMPLOYEES AND CONTRACTORS

If any members carry out paid work for the organisation, they are treated as employees. PAYE must be deducted from the payments they receive. If the organisation gives board and lodging rather than money to any employees for their work, you must work out the gross value of the benefits given to them, calculate PAYE based on this amount, and pay it to Inland Revenue. Other benefits paid to replace wages may be liable to Fringe Benefit Tax

PAYE deducted from your employees' wages is money held in trust of the Crown. You do not need to keep it in a separate bank account, apart from all other funds, but it must not be used for anything other than payment to Inland Revenue. Failing to account for PAYE is an offence, and there are penalties imposed for it.

If a self-employed contractor does a job for the organisation, this does not generally make the organisation an employer. However, if the job is one of those listed on the back of the IR 13 Withholding Payment Deduction Certificate, you must deduct tax at the flat rate shown, and pay this in to Inland Revenue. You must also ask the contractor to fill in the top part of the IR 13 form. If the contractor shows you a current Certificate of Exemption (IR 118), or is an incorporated company, you do not need to deduct withholding tax. Likewise, if the type of work done is not listed on the IR 13, you don't need to deduct tax. In these cases, the contractor is responsible for paying the tax.

Some workers call themselves self-employed contractor or the like, so their employers won't deduct PAYE. If the organisation (as the employer) has control over the work done, and how much and where it is done, the worker is almost certainly an employee and is liable for PAYE. If the organisation does not deduct PAYE when it should, it may be charged penalties. If you are unsure how to tax someone who works for the organisation, please contact the Taxpayer Services section at your local Inland Revenue office.

ACC PREMIUMS

As an employer, you will required to pay an Accident Compensation Employer Premium. This premium is charged on the total amount of wages paid up to 31 March each year, at a rate that varies according to your organisation's industrial activity and accident record.

All ACC premiums are calculated by ACC who will invoice your organisation on an annual basis.

FRINGE BENEFIT TAX (FBT)

If your charitable organisation provides fringe benefits (perks) to any employees, it must pay Fringe Benefit Tax - currently set at 49 percent of the total value of the benefit.

Some things which are liable for FBT include:

- Private use of an employer-supplied car
- Low interest loans
- Subsidised transport
- Goods or services supplied below market cost (there can be an exemption for this)
- Employer contributions to sickness, accident and death benefits funds.

For example, if an employee has the use of a car while carrying out charitable work for the organisation, any private benefit arising is not subject to FBT. However, if the charitable organisation provides a car as part of a salary package or for use with its business activities, FBT must be charged.

RECORD KEEPING

You have to keep enough records to be able to calculate the income, expenses and GST liability of your charitable organisation, and to enable the Inland Revenue to confirm your accounts if necessary. Some records you must keep are:

- Account book to record receipts and payments
- Bank statements
- Invoices (including GST tax invoices)
- Receipts
- Documents necessary to confirm entries in your accounts.
- Stock take figures for the end of the financial year
- Wage records for all employees
- Interest and dividend payment records
- All records should be kept for 10 years

IF IN DOUBT

If you are in any doubt at all or have unanswered questions, contact your local IRD office for assistance

SMALL BUSINESS TAX INFORMATION SERVICES

Inland Revenue has a Small Business Tax Information services, which aims to provide support and tax education to new small business and organisations. For more information, or if you would like to have an advisory visit, contact the Small Business Tax Information Officer at your local Inland Revenue office.

MAORI COMMUNITY OFFICERS

Maori Community Officers are available at all Inland Revenue offices. Their main aim is to establish and maintain regular liaison between the Tangata Whenua, other Maori organisation, and Inland Revenue staff, they can be contacted at your local Inland Revenue office to discuss any tax problems.

FURTHER RESOURCES

Charitable Organisations - IR255 available from Inland Revenue Department

The Inland Revenue Department has excellent free resources available. Contact them for details.

If you would like a list of our other community resources, or to be put on our mailing list, contact us at:



Phone (09) 486-4820

Fax (09) 486-4823



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