

Controlled Document – Refer to NMIT website or intranet for latest version

TAXATION TREATMENT for TEAM MEMBERS and CONTRACTORS

Section	People and Organisation Development		
Approval Date	24.11.2008	Approved by	Directorate
Next Review	09.03.2019	Responsibility	People and Organisation Development (POD) Manager
Last Reviewed	09.03.2017	Key Evaluation Question	6

PURPOSE

To outline the taxation treatment of Nelson Marlborough Institute of Technology (NMIT) team members and contractors.

SCOPE

All team members and contractors of NMIT.

DEFINITIONS

Team Member/Employee	A person engaged under an employment agreement.
Contractor	A company, partnership or individual that agrees to provide supplies or services in accordance with a valid and legal contract for services (CFS).
PAYE Income Payments	<p>“Pay as you earn” covers both employee earnings and contractor schedular payments. PAYE Income Payments are as defined in section RD 3 of the Income Tax Act 2007.</p> <p>For employee earnings; PAYE is the combined income tax and ACC earner’s levy.</p> <p>For contractor schedular payments; PAYE is Withholding Tax.</p>
Schedular Payments	<p>Schedular payments apply only to contractors. Schedular payments are as defined in section RD 8 of the Income Tax Act 2007 and are payments of a class as shown on the IRD Tax Code Declaration form under the title Rate of Tax Deductions from Schedular Payments.</p>

<p>Exemption from Schedular Payments</p>	<p>Certain categories of contractor are exempt from schedular payments. The categories for exemption are:</p> <ul style="list-style-type: none"> • A registered company other than a non-resident contractor, a non-resident entertainer, or an agricultural, horticultural or viticulture company; • A contractor with an IRD exemption certificate for the class of payment being made; • A non-resident contractor who has full relief from tax under a double tax agreement, and is present in New Zealand for 92 or fewer days in a 12 month period; • A non-resident contractor when the total amount paid for the contract activity is \$15,000 or less in a 12 month period; • A public authority; • A local authority; • A Māori authority.
---	---

RESPONSIBILITY

Team members and contractors are responsible for providing relevant and accurate information to NMIT to allow for appropriate tax deduction.

All new team members and contractors complete and sign a Tax Code Declaration Form except:

- Contractors doing work that is not listed on the 'Rate of Tax Deductions from Schedular Payments' on the Tax Code Declaration form;
- Registered New Zealand companies* other than agricultural, horticultural or viticulture companies;
- Contractors who present a current IRD certificate of exemption appropriate to the work undertaken;
- Other contractors exempt from Schedular Payments as noted in the Definitions above.

*Should a company cease to be registered for any reason then they must notify the NMIT POD team immediately.

PRINCIPLES

NMIT will deduct PAYE from all PAYE Income Payments made to team members or contractors according to IRD regulations.

If a contractor is registered for GST then they must supply a valid tax invoice. Withholding tax will be deducted from the GST exclusive value of the tax invoice.

Expenses for team members or contractors will be taxed, or not, in line with IRD regulations.

REFERENCES

Income Tax Act 2007