



10 April 2024

Dear [REDACTED]

Thank you for your request made under the Official Information Act 1982 (OIA), received on 19 March 2024. You requested the following:

I seek to ask the Commissioner of IRD the following questions under the Official Information Act.

RD 3 PAYE income payments

Meaning generally

*(1) The PAYE rules apply to a **PAYE income payment** which –*

(a) Means –

- (i) A payment of salary or wages, see section RD5; or*
- (ii) Extra pay, see section RD 6; or*
- (iii) A **schedular payment**, see section RD 8:*

IRD documentation treats schedular payments as non-PAYE come in direct conflict with the stated requirements of the IR Act RD 3 yet the IRD is taxing these payments at the time of payment. Based on that information I ask:

- 1. What taxation process in the IT Act does the IRD rely on to tax schedular payments at the time of payment?*
- 2. If the answer is under the PAYE system then why is the IRD presenting schedular payments as non-PAYE income? (see attached document)*
- 3. If the answer is under the PAYE system then why is the Commissioner not levying those payments at the time of payment as required by s 221 of the AC Act ad RD 4 of the IT Act.'*

If the answer is not under the PAYE system then see question one

- 4. Noting that the IRD is treating schedular payments as subject to "schedular deductions" what part of the Income Tax Act provides for this schedular deduction process?*

Question 1

The Commissioner of Inland Revenue (CIR) collects tax on schedular payments under section RD 8 and Schedule 4 of the Income Tax Act 2007 (ITA). The rate of tax is required to be deducted by the payer at the time of payment, in accordance with the rate specified in schedule 4 of the ITA, and then paid to the CIR.

Question 2

The tax amounts deducted from schedular payments are treated as "PAYE income payments" and collected via the PAYE system in Employer Information returns. While tax on schedular payments is collected via the PAYE system the payee is not an employee, rather they are a self-employed person. Accordingly, when we present the income information at the end of the year, we separate schedular payments from salary & wage payments.

Question 3

ACC levies under section 221 of the Accident Compensation Act 2001 (ACA), apply only to employees. The definition of "employees" in section 6 of the ACA refers to paragraph (a) of the definition of "income from employment" in section YA 1 of the ITA, which means "salary or wages" or an "extra pay". Salary or wages is defined in section RD 5 of the ITA and extra pay is defined in section RD 7 of the ITA.

As outlined in the response to question two and based on the sections of the ITA and ACA outlined above, taxpayers who receive schedular payments are not considered an 'employee'. As they are considered self-employed, deduction of levies is not required at the time of payment.

Publishing of OIA response

We intend to publish our response to your request on Inland Revenue's website (www.ird.govt.nz) as this information may be of interest to other members of the public. This letter, with your personal details removed, will be published in its entirety. Publishing responses increases the availability of information to the public and is consistent with the OIA's purpose of enabling more effective participation in the making and administration of laws and policies and promoting the accountability of officials.

Thank you for your request.

Yours sincerely



Tony Morris
Customer Segment Leader