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30 September 2008

Greetings!

Well, KiwiSaver automatic top-ups are flavour of the month, and they've certainly kept our help desk and the IRD busy!

Despite IRD failing to keep up with the play (they should be by now...they've promised) we'd expect all our clients to be using KiwiSaver top-ups to maximise the employer contributions to employee kiwisaver funds...for free. See article (reprinted and updated with examples) below.

The October tax changes have been included in SmoothPay **since June**, so it's all ready to go, however if you're not right up to date then we recommend you update right now. These are triggered automatically for periods ending on/after 1 October (not by pay day).

A new feature in SmoothPay is the quick TimeSheet entry which lets you enter daily totals and have them create dated entries for you - very quick...and about time. Just highlight the employee and press CTRL+T.

We've also added a shortcut to view an employee's current payslip (CTRL+P).

Anything you need, or suggestions - just let us know.

Cheers, *Matt & the SmoothPay support team.*

Free money!

Give your employee a bit extra for their kiwisaver fund - for free!

Instead of merely complying with the minimum 1% CEC, why not provide your employee the benefit of saving the full \$88.57 (possibly less ESCT) per tax month?

In fact, we'd go so far as to say if you're not contributing at least \$88.57 (in a 31 day month) to your employee's kiwisaver funds, then you're doing your employees a great disservice!

An example: Your employee earns \$36,000 per year. Your 1% CEC comes to \$360 per year. In a 31 day month your current CEC would be \$31, yet if you "top-up" the CEC to make the maximum amount claimable as Tax Credit, in this

case \$88.57, the government will happily provide a Tax Credit of \$88.57 and the employee is better off to the tune of \$57.57 - this is "free money" for your employee's KiwiSaver fund and it costs you, the employer, nothing.

A "good" employer would take advantage of this opportunity - while it lasts.

How does this magic work?

SmoothPay can automatically maximise employer subsidy and ETC, granting a zero-cost way of increasing your employee's KiwiSaver savings.

There are two ways this happens:

- **Employee's paid monthly, IR345 paid twice each month:** The weird KiwiSaver calculation rules meant that clients required to file twice-monthly IR345s would not have been able to claim the full month's ETC (Employer Tax Credit) for the compulsory employer contribution (because you can only claim for the number of days in the tax period being reported). This has been addressed by automatic "topping-up" of the ETC so that you claim the full ETC for the month, less any amount already claimed in that month.
- A **KiwiSaver TopUp** flag has been added to Company Setup..KiwiSaver. This option automatically applies the **maximum amount of employer contribution** that can be claimed back from IRD as a tax credit **without incurring any additional expense for the employer**. Note: using this option removes the ability to manually enter KiwiSaver lump-sum employer contributions, as the amount is calculated automatically in the last pay of the month for each employee. *Note that spurious payroll processing behaviour, such as paying a monthly employee twice in the same month etc may cause the KiwiSaver subsidy to become overstated. This option may also result in part of the free subsidy being consumed as ESCT (formerly SSCWT)*

[More about KiwiSaver...](#)

irFile Survey Results

Thanks to all those who participated in this survey.

It was quite surprising the number who didn't know SmoothPay automatically created the irFiles for electronic transfer - despite that information being on the IR345 and IR348 screens when the reports are produced.

Yet, almost half the respondents actually use irFile to file electronically - almost half of you! A remarkable achievement, given that nationally only 20% of businesses use irFile, and uptake by new employers is a measly 6% (or so).

We're working with the IRD to try to improve their systems and accept electronic data transfer direct from SmoothPay (and other payrolls as well) to make it easier for employers to manage the process. We think it's unweildy and clunky at

present, and hope to convince them of the benefits of direct integration...we'll keep you posted.

Anyway, the results are:

Are you aware of IRD's irFiling facility (where you can submit your IR348, IR345 and KiwiSaver schedules electronically)? Yes 83%, No, 13.8%

Did you know SmoothPay automatically generates files for electronic transfer to IRD? Yes 67.9%, No 28.9% (nearly one third!)

Do you use IRD's irFile service to submit your returns electronically? Yes 49%, No 47.7%

And for those who requested more information...[click here](#)

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One of the "MUST HAVE" titles from CCH for NZ payroll administrators. The RRP is \$89.96, available to SmoothPay customers for \$76.46

2. Guide to Holidays and Leave

Are you interested in what the law really says? This book covers all aspects of NZ Leave entitlements and payments - it's your Annual Leave bible! RRP \$89.94, your price \$76.46

3. 2008 New Zealand Employment Law Guide

Ever wonder how we know so much stuff - it's in this book! RRP\$67.50, your price \$57.38

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Contact us if you have any questions or suggestions, and we'll do whatever we can to assist.

Regards,

Matthew Gardner
SmoothPay Ltd

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