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TAXATION

Section	Finance		
Approval Date	25.05.2012	Approved by	Directorate
Next Review	20.10.2018	Responsibility	Director of Finance and Business Improvement
This review	20.10.2016	Key Evaluation Question	6

PURPOSE

The purpose of this policy is to ensure that NMIT meets its taxation obligations.

This policy provides general guidance in respect of NMIT's taxation obligations and procedures. More detailed information can be obtained from the IRD website (www.ird.govt.nz) and by referring to the relevant legislation (www.legislation.govt.nz).

SCOPE

The taxes specifically considered under this policy are:

- Goods & Service Tax (GST)
- Pay as you earn (PAYE)
- KiwiSaver
- Withholding Tax (WT)
- Income Tax

RESPONSIBILITY

Director of Finance and Business Improvement	<p>Ensure that NMIT complies with all taxation obligations.</p> <p>Review and authorise all taxation returns and payments.</p> <p>Provide advice to Heads of Department, POD team and Finance staff on taxation treatment of transactions.</p> <p>Ensure Finance staff involved in transaction processing and preparation of taxation returns understand NMIT's taxation obligations and procedures.</p>
Director of People and Organisation Development (POD)	<p>Ensure NMIT complies with all payroll tax obligations.</p> <p>Ensure all POD staff involved in payroll processing and preparation of taxation returns understand NMIT's taxation obligations.</p> <p>Review and authorise all PAYE returns.</p>
POD staff	<p>Ensure that appropriate taxation deductions are made from salary payments to NMIT employees.</p>

	<p>Advise withholding tax deduction rates to the Finance clerks.</p> <p>Complete PAYE returns and provide them to the Finance clerks to enable payment to be processed by the due date.</p> <p>File PAYE returns and Employer Monthly Schedule with the IRD by the due date.</p>
Finance staff	<p>Ensure that withholding tax is deducted from schedular payments in accordance with the rates provided by the POD staff.</p> <p>Maintain a record of all withholding tax deductions and provide to POD staff for inclusion in the relevant PAYE return.</p> <p>Ensure that a valid tax invoice is issued for all taxable supplies made by NMIT.</p> <p>Ensure that NMIT holds a valid tax invoice (where applicable) before GST input tax is claimed.</p> <p>Ensure that all taxation payments are paid on or before the due date.</p> <p>Prepare and file monthly GST returns with the IRD by the due date.</p>

PROCEDURES

GST

NMIT is GST registered and must comply with the Goods and Services Tax Act 1985.

NMIT must charge GST output tax on all taxable supplies made and may claim back GST input tax paid on all taxable supplies received/purchased. The net GST collected must be paid to the IRD.

NMIT accounts for GST on an invoice basis. This means that GST output tax is accounted for when the supply is made, and GST input tax is claimed on receipt of a valid tax invoice.

GST Output Tax

NMIT issues a tax invoice for all taxable supplies made. GST is charged at the standard rate unless the supply is:

- Exempt, e.g. donations, student accommodation. No GST is charged.
- Zero-rated, e.g. services provided to non-residents outside NZ such as tuition fees from Chinese partner universities. GST is charged at 0%.

Finance clerks must confirm that the GST treatment is correct before processing any invoice request without GST.

GST Input Tax

NMIT can only claim an input tax credit where a valid tax invoice has been received from the supplier. The Finance clerks are responsible for checking that invoices received from suppliers meet the requirements of a tax invoice. If IRD requirements are not met, they must request a valid tax invoice (where the supplier is GST registered) before processing the invoice.

GST Return

NMIT must complete a GST return for each calendar month. The return must be filed online and payment made by the due date (usually the 28th of the following month).

In preparing the return, the following checks must be performed:

- "Reasonableness" check against income & expenditure, to provide assurance that GST has been correctly accounted for.
- Reconciliation to the general ledger GST input tax and GST output tax accounts.
- Review a sample of GST input tax transactions to ensure NMIT holds a valid tax invoice. Any transactions where the tax invoice does not meet IRD requirements must be excluded from the GST return until a valid tax invoice is obtained.
- Invoices issued by NMIT where no GST has been charged, to ensure correct treatment.
- GST output tax charged on invoices processed in the Student Management System matches the transactions imported into the general ledger GST output tax account.

The completed GST return, together with evidence of the above checks is provided to the Director of Finance and Business Improvement for review and approval. Once the return has been approved, it can be filed with the IRD.

PAYE & KIWISAVER

NMIT must deduct PAYE, KiwiSaver, student loan and child support deductions from salary payments (including benefit allowances) to employees in accordance with the Income Tax Act 2007 and regulations. As a large employer (PAYE deductions over \$500,000 per annum), NMIT must submit an Employer Deductions (IR345) form and make payments to the IRD twice monthly. NMIT must also electronically file an Employer Monthly Schedule (IR348) once a month using the approved IRD system.

The POD team are responsible for ensuring that all legislative requirements are met, including ensuring deductions are made correctly, schedules are filed on time and payment details are provided to the Finance team in time to meet payment dates..

The Finance team are responsible for processing the payment to the IRD upon receipt of appropriately authorised documentation from the POD team.

The Finance team reconcile the PAYE, KiwiSaver, and Child Support general ledger account balances monthly.

WITHHOLDING TAX

NMIT must deduct withholding tax from schedular payments, i.e. payments to contractors and other entities who perform activities outlined in Schedule 4 of the Income Tax Act 2007.

The POD team advise the Finance clerks the withholding tax deduction rate for each contractor.

The Finance clerks calculate the amount of withholding tax to deduct from each contractor's invoices, and deduct this from the payment made to the contractor. The Finance clerks maintain a record of all schedular payments made and withholding tax deducted. This is provided to the POD team for inclusion in NMIT's PAYE return and payment which is paid to the IRD twice monthly.

The Finance clerks reconcile the general ledger withholding tax account prior to providing the details to the POD team to ensure the correct amount is included in the PAYE return and payment.

INCOME TAX

Under section CW55BA of the Income Tax Act 2007, NMIT is exempt from income tax.

REFERENCES

INTERNAL

Taxation Treatment for Staff and Contractors

EXTERNAL

Goods and Services Tax Act 1985

Tax Administration Act 1994

KiwiSaver Act 2006

Income Tax Act 2007