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TAXATION POLICY

Section	Finance		
Approval Date	25.05.2012	Approved by	Executive Team
Next Review	07.07.2023	Responsibility	Executive Director: Finance and Campus Services
This review	07.07.2021	Key Evaluation Question	6

PURPOSE

The purpose of this policy is to ensure that Nelson Marlborough Institute of Technology Ltd (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

RESPONSIBILITIES

Executive Director: Finance and Campus Services	<p>Ensure that NMIT complies with all taxation obligations.</p> <p>Provide advice to management, People and Organisation Development (POD) team and Finance staff on the taxation treatment of transactions.</p>
Finance team	<p>Ensure that withholding tax is deducted from schedular payments in accordance with the rates provided by 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 by the due date.</p> <p>Prepare and file monthly GST returns with the IRD by the due date.</p>

Financial Accountant	<p>Review and authorise all taxation returns and payments.</p> <p>Ensure Finance staff involved in transaction processing and preparation of taxation returns understand NMIT's taxation obligations and procedures.</p>
People and Organisation Development Manager	<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>
People and Organisation Development team	<p>Ensure that appropriate taxation deductions are made from salary payments to NMIT employees.</p> <p>Advise withholding tax deduction rates to the Finance team.</p> <p>Complete PAYE returns and provide them to the Finance team 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>

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 at the appropriate rate and may claim back GST input tax paid on all taxable supplies received/purchased. The net GST (output tax minus input tax) must be paid to/refunded by 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 or fees for offshore online courses. GST is charged at 0%.

Finance team 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 team is 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.
- Check 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 Financial Accountant 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** is 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** is 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.

POD will advise Finance the withholding tax deduction rate for each contractor.

The Finance team calculates the amount of withholding tax to deduct from each contractor's invoice, and deducts this from the payment made to the contractor. The Finance team maintain a record of all schedular payments made and withholding tax deducted. Finance is responsible for the payment and filing of withholding tax deducted from schedular payments with the IRD. The payment and filing date are due at the same time as PAYE (which is paid to the IRD twice monthly). Filing on a payday basis is within 2 working days of the date of payment (for electronic filing purposes).

The Finance team reconciles the general ledger withholding tax account and ensures 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](#)