

29 July 2015

Farmers – are you employing casual staff during calving?

The busy workload on farms at this time of year often leads to a dilemma of how to pay the wages. Having relief milkers and casual calf rearers creates problems deciding how much to pay and whether to deduct PAYE or pay by cash. Some employees prefer to receive cash while employers who do not normally employ staff sometimes prefer to pay cash to save extra compliance of filing IRD returns and calculating PAYE.

The IRD guidelines distinguish between agricultural contractors and casual agricultural employees. The one aspect which is consistent is that tax must be deducted from the earnings unless it is an agricultural contractor who provides you with a current Certificate of Exemption (IR331) for that activity. If the person is registered for GST, or operates in a Company structure, it makes no difference to whether or not you need to deduct tax.

An agricultural contractor includes workers contracted for maintenance, development or any other work on farming or agricultural land. As a contractor, they are able to decide on their hours of work and are not in an “employee” relationship. Tax will be withholding tax and deducted at 15% using a tax code WT on an IR330 form.

Casual agricultural employees are in an employment relationship, and work in casual seasonal work on a day-to-day basis for up to three months. This person you would be taxed at 18.95c in the dollar, using the CAE tax code on an IR330 form.

If the employee does not complete an IR330 form, you must deduct PAYE at the no-notification rate of 46.45%, or 30% for agricultural contractors under the schedular payment regime. It definitely is in the best interests of the employee to fill in the IR forms.

Be aware that when using tax code WT and making schedular payments (withholding payments under the old terminology) then the contractor must file tax returns and will be invoiced separately for ACC.

For employers who only employ seasonally and don't want to be bothered with completing the PAYE schedules every month there is an option available. Applying to be a non-policed employer saves needing to file a return if it would otherwise be nil. This is available for employers who do not pay wages more than 6 months of the year, the annual PAYE is less than \$5,000 per annum and they have a record of filing on time. Otherwise if a PAYE return is filed late the IRD charge a late filing penalty of \$250 which is not tax deductible.

The regulations around employment are complex so it is a good idea to seek help from your financial advisor or accountant.

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