

PCANZ FINANCE & ADMIN NEWS 002

TO: Church Treasurers

DATE: 27 March 2026

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1. Fuel Reimbursement Rates

Churches may wish to review their current mileage reimbursement rates in light of the rising fuel costs linked to the Iran war. While we generally recommend reimbursing mileage at the IRD-set rates, currently \$1.17 per km (supported by a logbook), employers may use a higher rate where this more accurately reflects genuine costs. In such cases, IRD requires evidence that the rate used is a “*reasonable estimate of expenditure*” and may treat any amount deemed unreasonable as taxable income to the employee.

In the current environment, an additional \$0.10 per kilometre is a reasonable and defensible adjustment, representing an 8.54% increase on the IRD rate. Although fuel prices have risen by closer to 25%, fuel is only one component of the IRD calculation, which also includes insurance, maintenance, registration, and depreciation costs.

Looking ahead, where higher fuel costs are creating hardship for staff, we encourage churches to consider flexible arrangements – such as working from home where this can be done without undue inconvenience or loss of productivity.

1 April is a significant date for changes in payroll – Please review the sections below to confirm what applies to you and the actions required

2. Increase in Minimum Wage

From 1 April 2026, the statutory minimum wage rates increase as follows:

- Adult Minimum Wage: rising from \$23.50 to **\$23.95** per hour
- Starting Out/Training Wage: rising from \$18.80 to \$19.16 per hour

Action required

- You will need to manually review all of your employees' current pay rates to identify anyone who will need an adjustment (none of the payroll applications we canvassed are doing this automatically).
- If you have any employees affected, and your first pay run in April covers March and April hours, you may choose to either:
 - Pay all hours in that pay run at the new minimum wage rate, or
 - Apply the new rate only to hours worked from 1 April onward.Either approach is acceptable.
- If you use a payroll intermediary (e.g., CATAS): we recommend confirming that they have reviewed your employees' pay rates and made any necessary adjustments.

3. Changes in PAYE deductions

This change will affect almost every organisation running payroll, as all employees on standard tax codes are affected by this change. The change doesn't apply to contractors as they pay withholding tax.

Each year on 1 April, ACC employee levies are reviewed and updated. These levies are built into PAYE and deducted at source from all employees, so you won't see a separate ACC line when processing payroll. The annual adjustment is usually small, but it does change the employee's take-home pay for any pay runs processed on or after 1 April.

Note: the PAYE rate applied (including the ACC Employee levy component) is determined by the payment date, not the dates worked.

Example: if you process a payrun on Wednesday 1 April for hours worked up to Sunday 29 March, the new PAYE rates apply because the payment is being made in April.

Action required

- All major payroll applications automatically update PAYE rates for the ACC levy adjustment. No manual adjustment is required for the PAYE calculation itself.
- **However, check your payments** - if you process payroll manually or if your software requires you to manage the actual wage or stipend payments yourself,

you must ensure that net payments are updated from the first pay period on or after 1 April.

- Software specific notes:
 - Ace Payroll and Xero Payroll: you will need to update net payments manually.
 - Smartly and iPayroll: no action required, these systems update automatically.
 - Other payroll systems: you will need to confirm whether updates are automatic or need to be made manually.
- If you use a payroll intermediary, you will need to check with them they are applying the updated rates and adjust payments where required.

4. Reviewing ESCT rates

At the start of each tax year, employers must review Employer Superannuation Contribution Tax (ESCT) rates to ensure all employees are on the correct rate. This review is based on each employee’s remuneration for the year ended 31 March (in this case, you will be reviewing the year ended 31 March 2026).

If an employee has not worked a full year, you must use your best estimate of what they will earn in the 12 months from 1 April 2026.

ESCT is calculated based on the sum of:

- Gross taxable income, plus
- Gross employer superannuation contributions for the previous tax year

Because ESCT uses this combined figure, the brackets differ from standard income-tax brackets, which reference taxable income only.

Failing to update ESCT rates may result in an ESCT shortfall, which Inland Revenue will require the employee to pay at year-end.

For churches, note that Ministers’ reimbursement components must be excluded from the ESCT calculation, as these are not taxable income.

The current ESCT rates are:

| Gross Taxable Income + Gross Employer Superannuation Contribution Amount | ESCT Rate |
|--|-----------|
| \$0 TO \$18,720 | 10.5% |
| \$18,721 TO \$64,200 | 17.5% |
| \$64,201 TO \$93,720 | 30.0% |
| Over \$93,721 | 33.0% |

Note: please see section 5 below regarding the increase in minimum KiwiSaver employer contributions, effective from 1 April. You will need to take any increased employer contribution into account when determining the correct ESCT rate for each employee.

Action required

- Using iPayroll: ESCT rates are reviewed and updated automatically - no action required.
- Using Xero Payroll or ACE Payroll: you must review ESCT rates and update them manually.
- Using other payroll software: confirm with your provider whether ESCT updates are automatic or require manual input.
- If you process payroll manually: you must complete the ESCT review and make any required changes yourself.
- If you use a payroll intermediary (e.g. CATAS): you will need to check if they are reviewing and updating ESCT rates on your behalf.

5. KiwiSaver Contributions – Employer AND Employee

As signalled in the 2025 budget, the minimum KiwiSaver contribution rates for both employers AND employees will increase progressively over the next two years.

While PCANZ policy is that all employees who belong to KiwiSaver should receive a 5% employer contribution, we are aware that not all congregations contribute at this level. This change will therefore affect many churches.

From 1 April 2026, the minimum KiwiSaver contribution rate increases to 3.5% for both employers and employees.

This rate applies to all taxable income paid in the first pay run after 1 April, regardless of the period worked.

Employees may choose to opt out of the increase but must apply to Inland Revenue and receive formal approval – the same process used for a contribution suspension. You must see confirmation from IRD that this has been approved before overriding the 3.5% rate and setting it back to 3% for any employee.

Employers cannot opt out of the increased contribution. Please note that the higher employer contribution must be included when calculating the correct ESCT rate for the new tax year.

If an employee (or employer) is already contributing 4% or more, no change is required.

Action required

- Using iPayroll: the increase will be applied automatically. You will still need to manually reset the rate for any employees who have IRD approval to remain at 3%.

- Using Xero Payroll or Ace Payroll: you will need to update contribution rates manually. Xero provides a bulk-update tool to assist with this.
- Using other payroll software: please check with your provider to confirm whether the update is automatic or requires manual adjustment.
- If you process payroll manually: you will need to update contribution rates yourself and adjust your calculations accordingly.
- If you use a payroll intermediary: confirm whether they are updating contribution settings for each employee, or whether you need to notify them of employees who require changes.

In summary

Payroll is technical and it's important that you get it right! If you have any questions at all or need help in making the changes noted above in your payroll, please contact Rowena Janes either by email rowena.janes@laurenson.co.nz or via the Accounting and Payroll Helpline 0800 567 957.

The Assembly Office Finance Team offers practical support, including:

- **0800 567 957 Accounting and Payroll Helpline** – assistance with payroll setup, stipends, wages, and accounting queries
- treasurerhelp@presbyterian.org.nz
- help with filing annual returns and financial statements with Charities Services
- Xero support
- a 30% discount for churches using the PCANZ Xero Practice subscription
- access to Tier 3 and Tier 4 reporting templates (Xero and spreadsheet formats)
- training sessions arranged on an ad-hoc basis