Presbyterian Church of Aotearoa New Zealand

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# PCANZ FINANCE & ADMIN NEWS 004

TO: Church Treasurers

DATE: 5 June 2026



## 1. Payroll: Tax and ESCT Codes, and Casual Employees

### Tax Codes for Employees and Contractors

When you begin paying a new person – whether an employee or contractor – it is important to ensure that you use the correct tax code and correct ESCT code.

For tax codes, you must hold a completed:

- **IR330** for employees, or
- **IR330C** for contractors who are not operating through a company

These forms confirm the person's IRD number, full legal name, and the tax code you must apply. They also protect you as the employer by confirming you are applying the code the employee or contractor has declared.

We see situations where employees are unaware of the tax implications of:

- working for more than one employer, or
- receiving NZ Superannuation while also earning employment income.

While you are not legally required to check this, if you know your new employee has other income sources, you may wish to check whether they have correctly identified:

- their main source of income (M or ME code), and
- which income streams should instead use an S-type code

Using an incorrect tax code (e.g., applying an M code to more than one job) can result in the employee owing tax at year-end.

For contractors, the withholding tax rate they select should reflect their wider income situation. Unfortunately, the guide printed on the back of the IR330C is **not** a reliable indicator of the correct rate as it is only a generic reference and doesn't consider the contractor's actual tax situation. Choosing the right rate matters as it can help avoid a tax bill at year-end. If in doubt, contractors should contact IRD on their 0800 number for guidance.

## ESCT Rates

We included a section on ESCT rates in PCANZ Finance & Admin News 002. This is **updated** information because IRD has recently confirmed to us that ESCT rates must be set solely based on what the employee earns from you as the employer. **No other income sources should be considered.**

To determine the correct ESCT rate:

1. Add together the employee's annual income from you, plus
2. Your **gross** employer KiwiSaver or superannuation contributions (i.e., before ESCT is deducted)

Then apply the relevant rate from the table below:

| **Gross Taxable Income + Gross Employer Superannuation Contribution Amount (per year)** | **ESCT Rate** |
|---|---|
| $0 to $18,720 | 10.5% |
| $18,721 to $64,200 | 17.5% |
| $64,201 to $93,720 | 30.0% |
| $93,721 to $216,000 | 33.0% |

## Casual Employees

We regularly see churches paying 8% holiday pay each payday to employees who are not, in fact, casual employees. This creates a significant compliance risk under the Holidays Act 2003.

### When 8% Pay-As-You-Go Can Be Used

Under section 28 of the Holidays Act 2003, "pay-as-you-go" holiday pay (8% of gross earnings) may only be used where:

- the employee's work is genuinely intermittent or irregular, or
- the employee is on a fixed-term agreement of less than 12 months, and:
  - there is a written agreement that holiday pay will be paid on a pay-as-you-go basis, and
  - it is impracticable to provide four weeks' annual leave in the usual way

**Definition of “Casual Employee”**

The Holidays Act 2003 does not define “casual employee”.

In practice, a casual employee generally:

- has no guaranteed hours of work
- works only as and when required
- has no ongoing expectation of regular work or availability

Importantly:

- working a small number of hours on a regular and ongoing pattern, or
- being engaged on a fixed-term agreement alone

does **not** automatically make someone a casual employee or justify pay-as-you-go treatment under section 28.

**When Employees Must Accrue Annual Leave**

Where employment is ongoing or follows a regular work pattern, employees must accrue annual leave under section 16 of the Holidays Act 2003, and leave balances must be maintained correctly, even where hours worked are minimal.

(This does not apply to genuine self-employed contractors).

**Additional Payments for Casual Employees**

Casual employees engaged on genuine pay-as-you-go arrangements are generally entitled to:

- 8% holiday pay, paid with each pay and clearly identified as holiday pay (section 28)
- at least time and a half for any hours worked on a public holiday (section 50)
- an alternative holiday (day in lieu) where the public holiday falls on a day that would otherwise have worked (section 56)
- sick leave, once eligibility requirements are met, where they are unable to work on a previously agreed workday due to illness or injury (section 63)

**Sick Leave Entitlement and Payment**

Sick leave applies once the employee has completed 6 months’ continuous employment, provided they meet the following minimum thresholds:

- worked an average of at least 10 hours per week, and
- at least 1 hour in every week or 40 hours in every month

When sick leave is taken, it should generally be paid based on the employee’s Relevant Daily Pay (RDP) – that is, what the employee would have earned had they worked that day (section 9)

If it is impracticable to determine RDP, or if the employee's daily earnings vary significantly, employers may use Average Daily Pay (ADP) instead (section 9A).

ADP is calculated as:

- total gross earnings over the previous 52 weeks, divided by
- the number of whole or part days the employee worked or was on paid leave during that period

Most payroll systems will calculate this automatically; however, you should ensure that payroll settings for casual employees are configured correctly.

## 2. Fundraising Revenue – Accounting Correctly for GST

Accounting correctly for fundraising revenue requires each event and income stream to be assessed on its own merits. Even where your church runs multiple fundraising activities during the year, you cannot assume the same GST treatment will apply to all of them.

**The Core Rules**

1. If goods or services sold for fundraising are **wholly donated**, the income is not subject to GST.
2. If any part of the goods or services sold has been purchased, then all income from that activity becomes subject to GST.

**Example**

Your church holds a fair. Most stalls sell donated goods, but you also pay for a bouncy castle and a mobile petting zoo, with all proceeds going to the church. Under GST rules, because some of the goods/services sold were purchased, the entire fair's income would be treated as GST-inclusive, unless the income streams are clearly separated (**see below**).

**Minimising GST Liability**

Where an event includes both donated and purchased components, you can reduce the GST impact by putting strong processes in place to separate the income streams. For example:

- separate floats
- separate EFTPOS terminals or payment buttons
- clear stall-by-stall reconciliation

If you can clearly identify which income relates to donated goods/services and which relates to purchased ones, then only the income from the purchased items is subject to GST.

### If Income Streams Cannot be Separated

If it is not possible to distinguish between the two, GST must be returned on **all** revenue from the event, because part of what was sold involved purchased goods or services.

## 3. The End of the Financial Year is Approaching – What can You Be Doing Now to Prepare?

While much of the year-end work cannot be completed until after 30 June, there are several tasks you can address ahead of time to make the process smoother and reduce the workload (and cost) later.

### 1. Check the Reconciliation Report in Xero

For all bank accounts with bank feeds, review the Reconciliation Report to identify any outstanding deposits or withdrawals.

These items do not appear on the standard bank reconciliation screen – the Reconciliation Report is the only place they show.

If you find items you cannot easily resolve, please call the 0800 number for assistance.

### 2. Review Debtors and Creditors Ledgers

If you use Accounts Receivable (Debtors) or Accounts Payable (Creditors), check for any items sitting in the “Overdue 90 days or more” column.

Confirm whether these balances are genuinely owed or whether they may be the result of data entry errors or old transactions that should be cleared.

### 3. Review Your Fixed Assets

Using last year’s Schedule of Fixed Assets and Depreciation, check all items listed under Furniture and Fittings, Equipment, and similar categories. Identify any assets that are:

- obsolete or no longer in use
- disposed of
- items you cannot locate or no longer recognise

Flagging these now allows your accountant to correctly account for them at year-end.

### 4. Encourage Early Submission of Expense Claims

Where you reimburse a Minister or employees for expenses, ask them to submit their June claims promptly.

If they know they will not incur further expenses before 30 June, they may be able to submit and be reimbursed before year-end, which simplifies processing.

### 5. Plan for 30 June Banking

30 June 2026 falls on a Tuesday.

Ensure that any cash deposits from the previous weekend's activities are banked by the end of the day on Tuesday 30 June so they are recorded in the correct financial year.

## 4. Annual Returns and Financial Statements – Reminder of the Six-Month Filing Requirement

Since the changes to the PCANZ Group consolidation last year, all churches and entities must now file their own annual returns and financial statements with Charities Services.

We have recently noted that a number of churches and entities have not yet filed their 30 June 2025 financial statements and annual returns. In an informal search of 64 churches on the Charities Services website, just over one-third had not filed their 2025 financial statements, which places them at risk of non-compliance.

Under the Charities Act 2005, annual returns must be filed within six months of balance date. This is a legal requirement. For a 30 June balance date, the filing deadline is 31 December. If entities fail to file for two consecutive years, they may be deregistered.

Please also ensure that your Treasurer and primary contact details are up to date with Charities Services, as this is the contact information they rely on for reminders and compliance notices.

Guidance on filing annual returns and financial statements is available on the Charities Services website:

Annual returns – how to complete and file
https://www.charities.govt.nz/im-a-registered-charity/annual-returns/updated-annual-return

Financial reporting standards (Tier 1 to 4)
https://www.charities.govt.nz/reporting-standards

Update Your Charity's Details (including Treasurer and Primary Contact)
https://www.charities.govt.nz/im-a-registered-charity/update-charity-details

## Upcoming changes and deadlines you need to be aware of

| | |
|---|---|
| 12 June 2026 | Assembly Assessment notifications for 2026/27 will be issued. |

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

## Disclaimer

This newsletter provides general compliance information and high-level IRD updates drawn from publicly available sources. It is not tax advice. PCANZ does not act as an authority on Income Tax, GST, or FBT legislation, and the information shared here should not be relied on as a substitute for specialist advice. If you have tax-related questions, please call the 0800 number first so we can help you discern whether your situation requires independent professional advice.