



MANUFACTURERS AND
EXPORTERS ASSOCIATION

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25 January 2008

Payroll Giving Project
C/- Deputy Commissioner – Policy
Policy Advice Division
Inland Revenue Department
PO Box 2198
Wellington

Dear Sir/Madam

Submission from the New Zealand Manufacturers and Exporters Association on the Payroll Giving Project

The New Zealand Manufacturers and Exporters Association (MEA) are pleased to have this opportunity to provide feedback on this submission.

Background

The New Zealand Manufacturers and Exporters Association represents the interests of manufacturers and exporters throughout New Zealand.

The MEA is New Zealand's only authoritative, independent voice for manufacturers and exporters. MEA members make nearly \$2.0 billion in sales and have an export value of around \$1.0 billion. Our organisation can trace its beginning to the early history of New Zealand.

The attached survey was circulated to our database via an on-line survey on 14 January 2008 and we received sufficient response to prepare this submission.

Executive Comment

Additional comments by members are included in this submission following the Executive Comment.

The MEA canvassed our members for their views on the discussion document regarding the payroll giving system. On balance this move is seen as negative by manufacturers and exporters; an unnecessary cost imposition.

The cost of compliance is the main concern cited by our members. Specifically the additional administration, time and payroll costs incurred on their businesses. This cost will fall most heavily on small business as

administrative costs will be disproportionately high in relation to the number of employees utilising the facility.

Many felt the collection of donations for an employee is not the core responsibility of the employer as this is discretionary spending and tax rebates should be claimed directly by the employee, not the employer.

This is a duplication of the services that are provided by banks via direct debit/credit. Employees can easily set up with their bank of choice for deductions to be made on 'pay days'.

One question raised by our members was whether Government or the IRD would provide clear guidelines of approved charities that could be supported by this scheme and would this include churches. There would also need to be easy and transparent facilitation of payment methods.

There are also bank fees charged on each auto payment that is made and this would most likely offset any gain made in tax benefit, especially for the small amounts that those employed in SME companies would be likely to contribute.

It is likely that each employee will have differing amounts deducted, charities will have to have their details recorded by employers and donations passed on to many different organisations. Receipts will have to be obtained in some way and taxation management will become somewhat complex e.g. who will advise the amount to be deducted. While much can be managed by sophisticated payroll systems, there will be costs associated with modification of software, data entry and other administrative tasks, and as New Zealand is made up of predominantly SME's, there will be the administration burden to payroll functions in these companies.

A payment or facilitating intermediary would not be helpful to employers who wish to implement payroll giving should the bill pass into legislation, an example is for those companies who employ the services of an external payroll organisation, the cost of the extra deduction and the additional transfer of funds to another third party is not recoverable by the employer.

Allowing employers an administrative allowance per employee to cover Government imposed administration costs, that can be deducted from taxable earnings, would be a way of encouraging employer uptake and providing support to employers who offer the scheme.

Employers could charge their employees a fee for the additional payroll deductions to charities. An employer could have it written in employment contracts that a fee be charged by the employer to cover administration costs by the company to set these up for employees, over and above those deductions already established, i.e. KiwiSaver, child support.

General Comments from MEA Members:

- Another move by this Government that will make more paperwork for the employer.
- I must admit that my first reaction to news of this proposal was that, once again, the Government was relieving itself of its obligations to things like Plunket, St John's, Westpac Life Flight, etc, etc, by encouraging the public to provide support for services which, in my opinion, belong to Government. However, since that is the accepted practice now, I guess any benefit that the public could get by way of immediate tax relief would be a bonus. However, it does still smack of "look how generous we are being to you to allow you to claim tax rebates early", when we should be looking more closely at the charities that the Government should be supporting. The women who work for me in the manufacturing industry will, I'm sure, not have the money to donate to charities anyway which is why I can safely say that implementation costs will be low. A tax cut to them would be a more charitable exercise!!
- We are absolutely fed up with all the administration cost increases we seem to continually incur in running our business.

- Another example of employers having to do the work of others, e.g. Government etc.
- I don't see the need to add yet more administration costs to our existing compliance requirements. For example we are still dealing with KiwiSaver issues as well as all preceding changes such as the Holidays Act etc. We don't need any more and especially so where it is not a core responsibility of the employer.
- So long as the changes are incorporated within the payroll system used there should be minimal set up time and cost. We would remit the funds each payday in the employees name. (Payroll system used Comacc).
- Rather innovative for conservative New Zealander's, but a good initiative for people who really do have their countries future at heart. SME's will have "mixed" feelings from an "admin-cost" perspective.
- My opinion is that this is discretionary spending by the employee so let them administer their own funds in their own time at their own cost. Do not lumber the employer with this type of activity.
- It is just another thing that business has to handle on behalf of the Government. Where does it end??
- Yet another deduction/task to do on behalf of other parties.
- An excellent proposal. If organised similar to the same style of giving in the USA, it should take minimal admin once people get their head around it.
- Where will it end? Will this be extended to include (i.e. replace) the traditional church collections? This is not an employment matter. Nor is it a matter for Government to interfere in.
- We do not offer or promote multiple payments of wage/salary to various bank accounts, instead leaving it up to individuals to distribute their income themselves. There is also a bank fee attached to each auto payment that would most likely offset any gain made in tax benefit, especially for the small amounts our staff would be likely to contribute.
- A good idea. With payments being made direct to bank accounts there is not much work involved.
- Payroll takes enough time to complete without this added complication - especially when they can change their mind whenever they want to. Just another potential task for the payroll clerk to have to deal with each week/fortnight.
- I believe staff will feel obliged to make a donation if asked and for what cause as some have religious donations and others trusts for suffering people or not so well off people and others are the standard donations every year like Cancer, Asthma etc. Who makes the call as to what donation? Also I believe the administration costs would be very high.
- Employees will be likely to require many changes to the amount they donate; increasing administration costs.
- As part of our employment contract any payroll deductions incur a cost to the employee of \$15.00. They have banks for this work.
- One of these 'feel good' ideas but the costs of establishing such a varied system will as usual fall to the employer. Each employee will have differing amounts deducted, charities will have to have their details recorded by employers and donations passed on to many

different organisations. Receipts will have to be obtained in some way and taxation management will become somewhat complex – e.g. who will advise the amount to be deducted? Will this have to be approved by the IRD? While much can be managed by sophisticated payroll systems, there will be costs associated with modification of software, data entry and other administrative tasks.

- Administrative burden to payroll functions in a small or medium sized business.
- Manage the process in a similar way as KiwiSaver, or Child support deductions, or Court Fines deductions. For software based payroll systems there is minimal effort to manage these deductions after initial setup. IRD must work with payroll software suppliers to ensure complete integration with the software. Employers do NOT want ANY additional management of what is a completely non-work related deduction.
- This proposal is just another imposition and cost burden on employers, which detracts from the main objective of running a business. If New Zealand is to be competitive on the world market and retain our best workers, employers need to be left to manage their business affairs with less interference and impositions from the Government in order to maximise profits that can be utilised to lift wages and also increase tax revenue. Employers are already a collection agency for PAYE and tax arrears, GST, child support, student loans, court fines, KiwiSaver contributions, hire purchase payments etc.
- The Government obviously recognises the worthwhile contribution charities make to society, and if it wants to encourage more people to make charitable donations they should lower income tax rates or increase the amount of donations subject to the existing rebate system.
- Yet another task for our pay clerk to complete!!! It's onerous enough now with PAYE, KiwiSaver, rent, child support.....
- We run a business here and already spend many hours doing Government department stuff, in no way do we want to add more unreimbursed work.
- We believe in donating money and/or time to support worthy organisations. We further endorse the Governments move to make it easier for people to support such charities. While there will be some set up, the on going maintenance should be limited. If the Government however, want the employer to be responsible for vetting the charities on behalf of the employee then we see this as unreasonable. The person giving to the charity should be responsible for their own actions.
- Potentially high administration costs involved, especially for salaried employees, as there is the potential for frequent changes.
- This is additional administrative work being placed on the employer where the employer gets no benefit. Costs will be not only the time for the payroll/PAYE transactions but the loss of work-time by administrators and employees if donations become a workplace activity.

- I have briefly considered the proposal for Employee Charitable Donations via Payroll. My opinion is that this is yet another load on our office staff that we can well do without and I can see no tangible benefit to the company, or it's employees! The thinking behind such a scheme seems to me to be the brainchild of someone who is not personally involved in running a company, who is seeking a 'feel good' factor, and obviously has too much time to spare! Our staff work hard to earn a living, in a market that is becoming increasingly difficult, and there is no way that I would put further pressure on them to have regular payments taken from them to be passed on to 'their Charity of Choice'. If an individual wishes to donate to charity, then it is surely a personal matter and up to them to take appropriate action. The company is not here to hold their hand on such a matter, or to spend valuable administrative time in handling the transaction! Most companies in New Zealand are small, we do not have surplus capacity which corporates or government departments may have for such frivolous, feel good, nonsense! Count me very much OUT on this matter.

The MEA does not wish to be heard on this submission but are happy for officials from Inland Revenue and Treasury to contact us for further discussion.

Yours sincerely



John Walley
Chief Executive

MEA Submission on Employee Charitable Donations via Payroll

The Government has released a discussion document on "payroll giving: providing a real time benefit for charitable giving". The MEA is seeking your comments to support the preparation of a submission on this proposal.

The proposal is that employees will be able to choose the charity and as much as they want to donate out of each pay, and the employer will make the deduction and pass to the charity or other intermediaries. The employee would receive tax relief for their donations at each pay day rather than have to wait to claim a rebate at the end of the year.

Your comments by Monday 21 January 2008 would be appreciated and will be incorporated into our submission. A copy of the MEA's submission will be posted to the MEA site after the close off date to parliament.

Regards

Trudy Diggs

Question 1

What do you think about the proposal of charitable donations via payroll? (We are using a scale from 1 to 7, where 1 means don't support and 7 means strongly support).

Question	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6	<input type="checkbox"/> 7
Avg Response %	65	10	2	5	11	3	4

Question 2

Will there be any significant costs incurred in the implementation and operation of this proposal? (On a scale of 1 to 7, where 1 means low cost and 7 is high costs involved.)

Question	<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> 5	<input type="checkbox"/> 6	<input type="checkbox"/> 7
Avg Response %	7	13	18	22	22	8	10

Question 3

Please add any comments you have in regard to this proposal that can be included with the submission.