

Schedular Payment Rules

“Pāmu might have to deduct withholding tax from payments it makes to you as a supplier”.

Before Pāmu can make a payment to a supplier who supplies services (including labour), tax legislation requires Pāmu to consider whether the payment is a “schedular payment” from which withholding tax must be deducted.

The schedular payments rules will generally apply to payments made to self-employed contractors, partnerships and trusts. However it can also apply to certain companies operating in the agricultural, horticultural and viticultural industries.

If you are making suppliers to Pāmu it is therefore important that you know whether or not these withholding tax rules apply to you. If they do apply, there may be options available to you so that either no tax needs to be deducted, or tax is deducted at a reduced rate. If it suits your circumstances, you could even voluntarily opt into the withholding tax rules.

If the rules do apply to you, you will need to provide Pāmu with one of the following:

- An IR330C
- A current certificate of exemption
- A special rate certificate.

If you do not provide one of these, and you are subject to the rules, then the tax legislation imposes an obligation on Pāmu to deduct tax at 45% from payments Pāmu makes to you.

It may be necessary for you to seek advice from a tax advisor, or from Inland Revenue. You will find further information on this topic on the Inland Revenue website: <https://www.ird.govt.nz/contractors/>