

Tax bills and refunds

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Under New Zealand's current tax system it is almost inevitable there will be a tax bill or refund at the end of each financial year. A tax bill or refund does not mean your tax has been calculated incorrectly.

The New Zealand tax system assumes people earn exactly the same amount every pay. Each pay period you are taxed on the basis that what you earn in that pay period is what you earn every pay period.

As a result, a large number of employees will either have a tax bill, or tax refund, at the end of the year.

As a general rule, people in these categories could receive a tax bill

- People who had a pay increase during the year.
- People who did lots of overtime.
- People who got a bonus, commission, redundancy payment etc.
- People who were paid out a lump sum of holiday pay.
- People who worked for multiple employers at different rates.
- People who, because of how dates fell, had 27 fortnightly or 53 weekly pay periods.
- People who went from a low paying job to a high paying job.
- Years in which tax rates increased part way through the year.

As a general rule, people in these categories could receive a refund

- People who had weeks where they worked fewer hours.
- People who had a pay cut.
- People who took some maternity leave or paid parental leave.
- People who were unemployed for part of the year.
- People who were students for part of the year.
- People who worked part time for various employers.
- People who took some leave without pay.
- People who job shared for part of the year.
- People who were in jail for part of the year.
- People who went from a high paying job to a low paying job.
- Years in which tax rates are reduced part way through the year.

Tax calculation checklist

At the start of each financial year we receive a number of calls from clients who are unsure if the tax is correctly calculated by Ace Payroll.

Prior to [contacting us](#) please check that:

- you are using [the latest version of Ace Payroll](#)
- the pay date is after 1st April 2017
- the tax deduction is shown in black on the pay calculation screen in Ace Payroll. If the deduction is shown in blue, then you have typed in

the tax from the keyboard.

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