



# EMPLOYER NEWS 2020

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## BEST WORKPLACES REVEALED

The graduates have voted - and public service is where it's at.

The list of New Zealand employers most coveted by newly-minted graduates has been released - with jobs in public service, accounting, and technology at the top of the list.

It's the first time the survey - for website GradNewZealand - has been held in New Zealand after successful rounds in Asia and Australia.

The research was conducted in 2019 to identify the most sought-after employers among New Zealand's university students and recent graduates.

The top 5 included Microsoft, Air New Zealand, accounting software company Xero, advisory, design and engineering consultancy Beca and PricewaterhouseCoopers.

The results reveal that New Zealand's soon-to-be graduates are especially eager to enter the country's public service. There were 22 government organisations named among the country's Top 100 graduate employers.

Topping the list at number six was the Ministry for Education, which offers a structured 18-month graduate programme designed to help new graduates enter careers in policy development.

In total, seven government organisations made the top 20, making this the most popular industry for graduates.

Sector winners include:

- PwC (Accounting and Advisory)
- ANZ (Banking and Financial Services)
- Fletcher Building (Construction and Property Services)
- Beca (Engineering Consulting)
- Chapman Tripp (Law)
- Accenture (Management Consulting)
- Clemenger Group (Media and Communications)
- Powerco (Mining, Energy, Oil and Gas)
- Ministry of Education (Public Service and Utilities)
- Fisher & Paykel Healthcare (R&D and Manufacturing)
- Fonterra (Retail, Sales and Consumer Goods)
- Microsoft (Technology)
- Air New Zealand (Transport and Logistics)



Source: NZ Herald

## CHANGES TO PAID PARENTAL LEAVE FROM 1 JULY 2020

From 1 July 2020, the duration of parental leave payments will extend from 22 weeks to 26 weeks and the maximum weekly rate for eligible parents will increase from \$585.80 to \$606.46 gross. The minimum payment rate for self-employed parents increases from \$177 to \$189 gross per week, which is equal to 10 hours of the current adult minimum wage.

### PARENTAL LEAVE ELIGIBILITY

The number of "Keeping In Touch" days will also increase from 52 to 64 hours. "Keeping In Touch" days allow parents to do limited work while on parental leave, if they choose to. For example, to attend a team day or change announcement. This helps employees stay connected with their employer.

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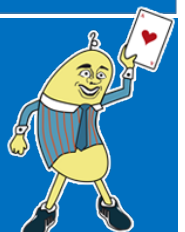
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**CHANGES TO THE TAXATION OF TELECOMMUNICATION AND TRAVEL ALLOWANCES****Inland Revenue**  
Te Tari Taake

On 18 February 2019 the Inland Revenue finalised its views on the taxation of telecommunication allowances/reimbursements and employer provided travel.

This guidance is relevant to any employers who provide phone allowances or reimbursements to employees using their own devices / usage plans, and for all employers who pay for or reimburse for travel costs. Employers should review their compliance with this guidance and make any updates to existing policies as a matter of priority.

**Use of employee provided telecommunication tools and usage plans in employment**

Inland Revenue has set out three standardised options for identifying the exempt portion of telecommunications reimbursement or allowance for employee provided devices (sometimes referred to as a “bring your own device” or “BYOD” arrangement). Employer provided devices and usage plans will still be subject to FBT and the business tools exemption (as applicable), rather than falling into this new classification.

The key take away is that the old “50% rule of thumb” where employers treated 50% of an allowance/reimbursement as exempt can no longer be used. Instead, there are three new rules proposed – 25%, 75% and a 100% de minimis rule. Employers can also choose a different method to these three options if they have sufficient supporting data to justify it. Given this, employers should be reviewing allowance policies now to ensure they are compliant with the new Determination as soon as possible. It applies from 20 December 2019.

The starting point is that if the allowance/reimbursement only covers the business use of the device, then the payment will be fully exempt. However, if the payment covers some private use then the three classes available should be considered. The three classes are as follows:

**Class A**

Applies if the principal use of the device / usage plan is for employment.

75% of the allowance or reimbursement will be exempt.

Employers need to demonstrate reasonable judgement in determining whether the principal use is employment. This can be based on time spent, a staff survey or signed declarations from employees confirming principal use.



Class A can also apply to under 50% business usage in some limited situations where on call requirements mean it is very important for employees to be available at all times for calls.

**Class B**

Applies if the device / usage plan is required for business (i.e. it is necessary, not a “nice-to-have”) and the device / usage plan is not principally used for employment.

25% of the allowance or reimbursement will be exempt.

An employment policy (noting the business reasons for needing a device) will sufficiently support using Class B provided that some actual business use by employees occurs over time.

**De minimis Class C**

Applies if the amount reimbursed is \$5 a week or less (maximum of \$265 a year).

100% of the allowance or reimbursement will be exempt.

No records are required to support this de minimis level of reimbursement.

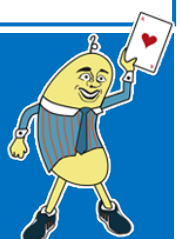
While pragmatic in parts, there are some complexities involved in applying the apportionment classes. Employers will need to invest some time in gathering further evidence, developing signed declarations or refreshing employment policy documents in order to align with Inland Revenue’s new approach.

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**CHANGES TO THE TAXATION OF TELECOMMUNICATION AND TRAVEL ALLOWANCES CONTINUED****Employer-provided travel from home to a distant workplace**

As working and living arrangements grow in flexibility and complexity, Inland Revenue is aware that many employers are uncertain as to the proper tax treatment of employer provided travel. On 18 December 2019, Inland Revenue released its final operational statement to “clarify and simplify the tax rules around employer-provided travel to distant workplaces”.



Applying this statement is compulsory from 1 April 2020 and optional from the date of issue. Employers do not have to correct historic positions if they are different to the positions in the operational statement and the Commissioner will not be looking backwards except in cases of identified tax avoidance.

As a starting point, the cost of commuting between home and work is private expenditure of an employee, and employer payments for travel from home to a workplace are usually taxable. However, Inland Revenue recognises four exceptions to this:

- The travel is one-off or very occasional (de minimis);
- The travel relates to a temporary posting or secondment (up to two years);
- The employee also genuinely works at a hometown workplace (meaning they have two workplaces);
- The employee works from home on specified days and the travel relates to one of those days.

**The travel is one-off or very occasional (de minimis)**

Any incidental travel, for example attending a conference, will not be subject to tax. This rule applies regardless of whether the employee ordinarily works from home or at an office.

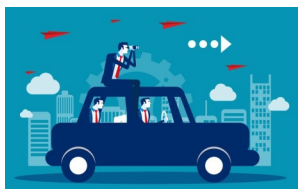
**The travel relates to a temporary posting or secondment**

If travel to a distant workplace is reasonably expected to last for less than two years, it is not taxable (this aligns with the treatment of accommodation for secondments). However, if at any point the expectations for the period of travel change, then the tax treatment changes from the date of that change in expectation.

**The employee also genuinely works at a hometown workplace (meaning they have two workplaces)**

Travel to a distant workplace for a period of greater than two years is generally taxable unless an employee has multiple workplaces (e.g. Auckland office and Wellington office) which means that travel between these workplaces can be non-taxable on an ongoing basis.

It is possible to meet the multiple workplace test where one of these workplaces is an employee's personal home. This requires both a clearly documented multiple workplace arrangement and a business need for the employee to work from home (this need must arise from the nature of the work rather than from the personal choice or personal circumstances of employee).

**The employee works from home on specified days and the travel relates to one of those days.**

Where an employee contractually and actually uses their home to work, travel to a distant workplace on these “work from home” days is non-taxable. One key point to note here is that this non-taxable treatment only applies when the travel occurs on the fixed “work from home” day.

In our view, the requirement for fixed “work from home” days is unlikely to reflect commercial reality for a number of employers. This is because many flexible working arrangements have some variability based on business need (for example allowing “work from home” and “work from office” days to be switched if there is an important meeting on a day that an employee ordinarily works from home). Having these variable arrangements in place means that travel from home to a distant workplace will be taxable.

Source: Deloitte.com

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**REDUNDANCY: KEY MISTAKES EMPLOYEES MAKE**

Being made redundant is one of the toughest things a worker can go through but there are ways to smooth the path and even change the outcome. Mark Donovan, a barrister specialising in employment law, says employers going through the process have to have a good reason for making a role redundant.

"At the moment the obvious reason is Covid-19," Donovan says employees are generally understanding of that situation but he urges people to still question it as some employers may use Covid-19 as an excuse to get rid of staff. "Some may be abusing the situation," he warns.

Donovan says those facing a redundancy proposal should start by asking three questions. "Have I got all the information? Why me? Why not someone else?"

Donovan says if redundancies are being proposed decisions will have been made on which roles should go. But that didn't mean people shouldn't question if their role should be the one to go. "If there are five people being asked to reapply for three roles - how are you selecting those people?"

"These are the things I say people should push back on."

An employer has to listen to what affected workers say but they don't have to change anything. "The employer is entitled to have a firm view," Donovan says. "But they do have to keep an open mind."

If an employee comes up with a good way to reduce costs it may be the employer changes their plans. "From time to time I have seen that happen."

**BIGGEST MISTAKE**

Donovan says the biggest mistake people make is not to engage in the process at all. "I don't think employees should lose hope. The worst thing is not to engage and feel like it is a fait accompli. "Then they just really do have no chance."

Donovan says if you are upset about your employer's decision the worst thing is to stay quiet. "Engaging is the key."

**HOW MUCH?**

Redundancy payments are not mandatory in New Zealand employment contracts so for some workers there will be no lump sum coming their way. But Donovan says often employers will pay out the notice period and allow the employee to finish up straight away freeing them up to apply for another job.

For those that are entitled to a pay out, the terms will be specified in their employment contract. It is usually a certain number of weeks of pay per year a person has been employed. Donovan says sometimes there can be difficulty around working out what is a week's worth of pay if a person works variable hours or gets commission. But it is usually a week of your normal salary. When the figure is calculated it also pays to check the amount is correct and includes the correct amount of holiday pay. If you do find out later the pay is not right you have a six-year period to go back to the employer or 90 days to take a personal grievance claim.

"Of course the longer you wait the longer you are out of money."

**WORRIED ABOUT REDUNDANCY?**

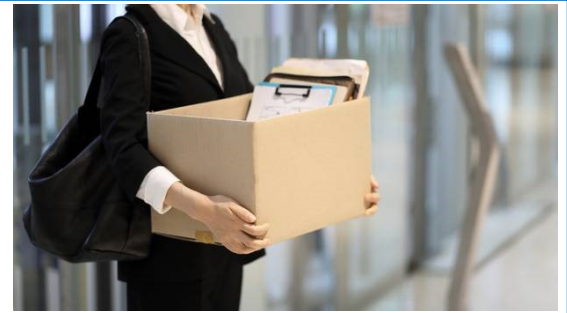
If you are worried about being made redundant Donovan recommends people make sure their CV and LinkedIn profile is up to date as well as making the most of networking opportunities. He says redundancies are an awkward situation where employers don't want to talk about it until they have to because of concerns they will frighten staff away, but employees also want to know as soon as possible. "It is tricky that timing."

Those worried should also check their contract and see what their notice period is and what the redundancy clause says. "That allows people to plan how much money they will have until they run out of their usual cashflow. "That is definitely something worth thinking about."

**NEW JOB**

Donovan says workers starting a new job should also look to negotiate their redundancy contract terms. He says it may be better to agree on a fixed amount to be paid out rather than a week per year given the current environment.

"Bearing in mind I imagine most employers are going to be tight-fisted. It might be hard to get unless you have skills the business really needs."



Source: Nz Herald

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