

Tax changes to ACC service payments

This email introduces you to a change in the way payments from ACC for attendant care, home help, childcare, attendant care services related to training for independence and attendant care services related to transport for independence are taxed.

For more information you can:

- Keep reading for a summary of the changes
- Visit the Inland Revenue website at <http://www.ird.govt.nz/yoursituation-ind/acc-recipients/>
- Call us on 0800 224 476.

What's the change?

From 1 July 2008, ACC will be required to deduct 15% tax from the schedular payments listed above under Part I of Schedule 4 of the Income Tax Act 2007 (formerly known as withholding payments) made to either caregivers or clients:

Why the change?

Before 1 July 2008, clients who received payments from ACC to on pay their caregiver were regarded as employers and some were required to deduct PAYE. For others, as the caregiver did not work more than 30 hours a week, the caregiver was required to pay their own tax as an IR56 tax payer.

So some people didn't fully understand how to pay tax on this money. Inland Revenue has been working with ACC to identify ways to help clients and their caregivers meet their tax obligations.

Communication

We have been working with ACC to develop joint communications to clients and caregivers. A letter and flier has been sent to clients and caregivers outlining how the changes will affect them and explaining their tax obligations in the future.