

3 November 2016

Cash wages for relief, casual staff, and cash jobs – A big NO NO

The IRD are always getting smarter at finding people who are paying workers cash, and those who are not declaring all their income. Should your business be looked at by either MBIE or IRD, your employment and income records and practices need to be solid and able to withstand scrutiny.

We know finding good relief staff or casual labour can be difficult, and once you have found someone if they ask you to pay them in cash (with no paper work) you should refuse - even if it means losing them and having to start the process again.

It is important you record and pay relief and casual staff exactly the same way as you would any other employee in your payroll system. By being in your payroll system, they will have PAYE deducted and holiday pay paid. If cash payments are made and withholding tax applies, it is the employer who is liable for the tax on top of what was paid in cash. Recent laws have made having accurate records of employees work hours (timesheets), payrolls, leave and holidays even more stringent and these rules apply to all staff whether fulltime, part time, relief or casual.

By putting your casual and relief staff on your payroll system, means you will be able to claim their wages as an expense. There are great software programs available to help you keep a clear picture of, timekeeping, rostered days off, comply with minimum wage, leave owed and taken.

Also the IRD are again writing to many businesses reminding them that they must declare all income, including cash jobs – no matter how big or small. Remember the consequences of not declaring income can include tax penalties, criminal convictions or their ability to contract for work – which could have a considerable impact on your business and personal circumstances.

The easiest way for you to keep up to date records is to bank business income in to the business bank account, it provides a trail and a reminder of what is to be declared. For goods received rather than cash, this still needs to be tracked and the value included in your GST and income tax return.

It may be tempting to cut corners especially with temporary relief staff, and small quick cash jobs but it is simply not worth it. Employment requirements and income record keeping are requirements not “nice to haves”.