

ACC levies

What are ACC levies?

New Zealand has a scheme which provides compensation for people who have suffered a personal injury. This scheme is administered by the Accident Compensation Corporation (ACC).

ACC spends around \$1.4 billion per year on rehabilitation, treatment and weekly compensation. This is largely funded by the collection of levies from employers, earners, self-employed people, the Government (for non-earners), and people who own or use motor vehicles.

What levies do I have to pay?

If you are an employer, you have to pay an **employer levy** and a **residual claims levy**.

The employer levy pays for the cost of work-related injuries.

The residual claims levy pays for the ongoing costs of injuries that occurred before 1999, because not enough money was collected at the time.

Employers also have to deduct an **earners' levy** from their employees' pay. This is built into the PAYE deduction tables.

The earners' levy pays the cost of non-work-related injuries, such as those suffered at home or while playing sport.

If you are self-employed, you pay a levy that covers both work-related and non-work-related injuries.

CoverPlus (the standard product for the self-employed) makes you eligible to receive compensation of 80% of your previous year's earnings.

Self-employed people can choose CoverPlus Extra instead, which makes you eligible for a pre-determined amount of compensation – this is particularly aimed at people who are newly

self-employed or those whose income varies from year to year.

Injuries from motor vehicle accidents are funded by:

- ✦ A levy added to the vehicle registration fee (collected by the Land Transport Safety Authority); and
- ✦ A levy added to the price of petrol.

How much do I have to pay?

The amount that you have to pay for the employer or self-employed levies varies depending on:

- ✦ Your liable earnings;
- ✦ Your classification unit.

ACC provides a levy calculation tool online at <http://acccalc.akl.adv.net.nz>.

What is my classification unit?

Depending on the type of activity the business carries out, it is put into a 'classification unit' for ACC purposes. The classification unit is chosen based on the 'business industry description code' used to register for GST.

The classification unit is a big factor in how high your ACC levies will be (both for employers and the self-employed). This is because the levy rate varies widely, with the highest rates being for activities with the highest injury costs.

For example, forestry has a very high employer levy rate, at over 6% of liable earnings (in 2004). Activities like accounting services, on the other hand, have much lower rates, such as 0.09% of liable earnings.

Using the wrong classification unit can affect how much your invoice from ACC will be, especially where the difference accumulates over several years.

If you're paying too much, you could be due a refund. If you're paying too little, you could have a big bill to pay when the right classification unit is discovered.

Take a bathroom renovation company, for example, that sub-contracts all the trades. The owner registers the business activity as 'Repair or renovation of residential buildings'.

In the year 2003-04, the employer levy rate for 'Construction services' was 2.74%. If the liable earnings were \$100,000, this equates to \$2740. However, because all the trades are sub-contracted, the classification unit 'Residential property operators and developers (excluding construction)' may be more accurate. The rate for this unit was 0.33%, and so with the same liable earnings, the employer levy would be \$330.

How and when do I have to pay?

The employer levy is payable in advance and ACC invoices employers directly. The amount is based on the previous year's payroll as an estimate, adjusted by the labour cost index.

Employers can provide ACC with an amount that is considered to be a more accurate estimate of the current year's earnings for provisional payment. If you want to make an estimate, contact us.

The employer levy will be recalculated the following year when the actual payroll details are available. A levy adjustment is then issued to the employer.

Disclaimer

Important: This is not advice. Clients should not act solely on the basis of the material contained in this fact sheet. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. We believe the contents to be true and accurate as at the date of writing but can give no assurances or warranty regarding the accuracy, currency or applicability of any of the contents. This fact sheet is made available to our clients as a helpful guide for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.

For self-employed people, ACC calculates the levy using their last IR3. ACC invoices them directly. Self-employed people must pay their ACC invoice within 30 days. However, they can opt for a 3-monthly payment plan, or an instalment plan.

What do I get for my money?

The benefit for employers is that employees who are injured at work will be paid compensation (after the first week) by ACC, as well as their treatment and rehabilitation costs. They are much less likely to be able to sue their employer for an injury, and everyone concerned will hopefully be saved the expense and stress of a court case.

In return for the earner's levy, employees are also covered for the cost of treatment, and rehabilitation, and get weekly compensation for non-work-related injuries. Self-employed people who are injured are also covered for the cost of treatment and rehabilitation, and get weekly compensation if they are injured.

Weekly compensation from ACC is generally 80% of your prior earnings.

How can I reduce my levies?

One of the main principles of the accident compensation system is to prevent injuries happening in the first place. In order to encourage injury prevention, ACC runs a Workplace Safety Management Practices Programme.

This gives levy discounts (of 10%, 15%, or 20%) to employers who demonstrate a high standard of workplace health and safety.

Note that the law can and does change quickly. The latest on accident compensation can be found on www.acc.co.nz.

See us first

Please contact us for tax implications that may arise from ACC payments.