

## CHILDREN WORKING: INCOME TAX

School children earning income are liable to income tax in the same way as other taxpayers. However, they may qualify for the school child tax credit which effectively exempts the first \$2,340 of annual gross income (excluding interest & dividends).

School children whose total earnings from all employment do not exceed \$45 per week (\$2,340 a year) are not required to complete a tax code declaration form and no PAYE is required to be deducted from their earnings. This is because the school child tax credit would require this tax to be refunded at the end of the year.

School children who earn more than \$45 per week are required to complete a tax code declaration, and tax must be deducted from the full PAYE income payment.

When weekly earnings exceed \$45 per week but the annual earnings are not expected to exceed \$2,340 (eg when a child works full time during school holidays but will not earn more than \$2,340 in total), the child is not required to fill in a tax code declaration and no tax should be deducted from their earnings.

With university, polytechnic and other tertiary students, tax should be deducted from employment earnings. If a student is only working for part of the year, the PAYE tables will result in tax being over deducted. In this situation, the student may be best advised to apply for a special tax code certificate rather than wait for an annual assessment and a refund at the end of the year.

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