



## Per Diem Allowances - Q & A – Fact Sheet

May, 2006

*Q: The production company can pay per diem allowances of up to \$60.00 a day and I don't have to keep any records - right?*

**Wrong – There's no such thing as a free lunch!** If you choose to use the optional "Allowance" method of claiming up to \$60.00 per day, you don't have to keep receipts and invoices for per diem expenses (meals, incidentals, laundry, etc) but you still have to invoice the production company for the per diems received and offset that amount by claiming the "allowance" (on a daily basis). You also have to declare these amounts in your end of year accounts.

*Q: The production is paying the same amount of per diems 7 days a week. There's more than enough on the work days and not enough on the days off but it averages out over the week. How do I deal with this?*

**First the Good news, then the bad news.**

If you use the standard method of claiming all per diems receipts and invoices as taxable expenses and pay withholding tax (unless you are exempted) then there's no problem.

If you use the "Allowance" method then a flat rate average weekly payment of per diems doesn't work. In this situation, the production office believe they are saving themselves work by paying less than \$60.00 per day but are actually creating problems for both themselves and you. The per diems should only cover the meals, incidentals and laundry not provided by the production company on a daily basis. If you are provided with breakfast and lunch then you should receive a per diem for the evening meal, incidentals and laundry. On a day off, the production company should provide full per diems. In all circumstances the production should provide an itemised breakdown of the per diem payment. If you choose to use the "allowance" method, you will need to know exactly what the per diem payment is for.

*Q: The production is paying full per diems every day and providing one or two meals a day. How do I deal with this?*

**This is called “double dipping”. You are going to have to end up pay some tax.** There’s various reasons why some productions pay full per diems and provide food. Sometimes it’s because you are working with international crew who are paid high rates of per diems and the production is trying to provide some equity or perhaps full per diems will make up for a low fee for your services. Either way the per diem is still considered gross income and you will have to declare it as taxable income. The IRD will not be impressed if you are provided with a meal and receive a per diem for it as well.

*Q: The production is paying the IRD’s per diem rate of \$60.00 per day and it’s not enough to cover the cost of meals. How is this rate set?*

**The IRD do not and cannot prescribe a rate of per diem for contractors.** Both crew and producers are confusing the nominal \$60.00 used in the “allowance” method with an official rate. Productions can have the \$60.00 raised by request to the IRD.

*Q: The production company won’t pay enough per diems to cover the cost of food and laundry!*

**You mean they give you \$15 for breakfast but the motel they booked you into charges \$25!** The purpose of per diems is to cover the reasonable and actual costs of meals, incidentals and laundry when you work away from your home base. Just like your fee, the amount should be an amount agreed between the crew member and the producer, not just an amount dictated by the producer. It’s simply not reasonable to pay per diems that don’t cover the true cost of food and services in the location where you are working.

*Q: The production company is refusing to deduct withholding tax from my per diems. Can I get into trouble?*

**Well not as much as the Production Company!** If you are subject to withholding tax then the production company is legally required to deduct the appropriate withholding tax. If the withholding tax is not deducted, the production company can be subject to late payment penalties. You should advise your accountant that deductions are not being made and make sure that you declare all per diem payments (including cash) as taxable income at the end of the year.

The NZ Film and Video Technicians Guild  
Promoting professional standards in the NZ Screen Production Industry

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*Q: The production company won't pay per diems in advance. They want me to provide the invoice after the shoot and they'll pay the per diems when they pay my fee.*

**Such is life as a contractor.** One of the core principles of being a contractor is that you are in business for yourself. You should have adequate working capital and thus have the funds to cope with typical cash flow ups and downs such as paying for meals. Get a credit card and with some savvy management you won't pay any interest. On the other hand, it's not as though all producers actually bother to have working capital. Out there in the TVC business the producer gets 1/3<sup>rd</sup> of the budget payment before the camera rolls, so why don't you ask for 1/3<sup>rd</sup> payment of your fee in advance?

*Q: Are per diems GST inclusive or exclusive?*

**The IRD have deemed per diems as GST exclusive.** This means that if you are GST registered, you should add GST to per diems invoiced.

Note that if you use the "allowance" method you cannot invoice or claim for the GST on the daily allowance claimed.

Also be aware that if your fee and per diems are in excess of \$40,000, you must register for GST.

*Q: What's the situation for employee?*

**Ah – the good old days.** Per diems paid to employees are treated as non taxable allowances. No withholding tax is payable and the employee does not have to keep any records.

*Q: Why did the IRD change the per diem rules?*

**The IRD didn't change any rules.** The problem was that the screen production industry didn't follow the rules. We did it our way. Another way of looking at it is that per diems were paid to contractors as though they are all employees.

*Q: Are per diems paid for international travel treated any differently?*

**No!**

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