

Providers of superannuation schemes – Fact sheet

The KiwiSaver changes announced in Budget 2007 will encourage higher levels of take up and contributions, which are likely to add significantly to the number of KiwiSaver accounts and level of funds under management. Key policy changes include:

- a tax credit for members that matches their contributions into KiwiSaver scheme (or a complying superannuation fund) up to a maximum of \$20 per week (\$1,040 per year) from 1 July 2007;
- phasing in of compulsory matching employer contributions from 1 per cent of an employee's gross salary in 2008/09 to 4 per cent by 2011/12; and
- a tax credit for employers that reimburses them for their matching contributions into KiwiSaver (or a complying superannuation fund) up to a maximum of \$20 per week per employee (\$1,040 per year per employee) from 1 April 2008.

How will it work?

Benefits

- ✓ **NEW** More people will participate in retirement saving and contribution levels will be higher as a result of the tax credits and the compulsory employer matching contributions.
- ✓ **NEW** The flow of funds into superannuation schemes and managed funds will grow significantly especially in the initial years following the introduction of KiwiSaver.
- ✓ **NEW** Providers will need to deal with fewer inactive accounts because more people are likely to be making regular contributions to KiwiSaver.

Becoming a KiwiSaver provider

- ✓ Superannuation providers wishing to become KiwiSaver providers are required to:
 - enter into a scheme provider agreement with Inland Revenue (IRD); and
 - register with the Government Actuary.
- ✓ The Government Actuary will register a scheme if it meets the requirements set out in Part 4 of the KiwiSaver Act 2006.

- ✓ If a provider wishes to establish a complying fund section within a registered superannuation scheme, they will need to seek approval from the Government Actuary. A complying superannuation fund will be approved if it meets certain criteria similar to those required of KiwiSaver schemes e.g., KiwiSaver lock in and portability.
- ✓ **NEW** Members making contributions to a complying fund section within a registered superannuation scheme will be eligible for all the KiwiSaver benefits other than the \$1000 KiwiSaver kickstart and fee subsidy.
- ✓ **NEW** Employers making contributions to complying superannuation funds will also be eligible for the employer tax credits and the employer contributions will be exempt from Specified Superannuation Contribution Withholding Tax (SSCWT), subject to a cap - the lesser of the employee's total contribution or 4 per cent of the employee's salary or wages.
- ✓ Members making contributions to existing schemes without a complying fund section will not be eligible for any KiwiSaver benefits.
- ✓ **NEW** In some circumstances, employer matching contributions to non-complying funds will count towards the compulsory employer matching contributions (refer to the employer factsheet). However, employers will not be eligible for the employer tax credit on these contributions.

IRD relationship with providers and employers

- ✓ IRD will:
 - collect all contributions to KiwiSaver schemes that are channelled through the tax system and pass them on to providers;
 - pay the employer tax credits directly to employers using the PAYE system;
 - check that compulsory employer contributions to KiwiSaver schemes are being paid in full; and
 - be the central agency for recovering all short paid compulsory employer contributions.
- ✓ The government will reimburse employees for any short-paid employer contributions to KiwiSaver schemes or complying superannuation funds up to \$20 per week per employee. IRD will on pay short-paid contributions to an employee's KiwiSaver scheme, or complying superannuation fund provider. IRD will seek to recover any short-payments directly from employers.
- ✓ Providers will be required to submit an annual return to IRD showing each member's details and the amount of contributions eligible for the member tax credit.

Provider relationship with employers and members

- ✓ Providers will collect all contributions to complying superannuation funds.
- ✓ **NEW** From 1 April 2008, providers will be required to notify the Government Actuary when compulsory matching employer contributions to complying superannuation funds have not been paid in full.

Other regulatory issues

- ✓ **NEW** From 1 April 2008, KiwiSaver providers will be required to disclose their approach to responsible investment. A joint working party will be established to recommend options for giving effect to this decision.
- ✓ **NEW** Given the increased incentives to join KiwiSaver, the Ministry of Economic Development will be investigating whether current KiwiSaver regulatory arrangements are still appropriate. Any proposed changes will build on existing regulatory arrangements. They will also aim for greater consistency between the regulation of complying funds and KiwiSaver schemes while ensuring, insofar as possible, that complying superannuation funds remain a viable and attractive option for existing schemes.

Where do I go for more information?

More information is available at www.kiwisaver.govt.nz

Inland Revenue will be emailing providers shortly with information.

For more advice, providers can also contact their current KiwiSaver relationship manager at IRD.