

## **TRANS-TASMAN PORTABILITY OF RETIREMENT SAVINGS**

### **HOW THE NEW RULES WORK**

#### **Key features**

The retirement savings portability arrangements have been developed to allow transfers of retirement savings between certain Australian superannuation funds and New Zealand KiwiSaver funds.

- Participation is voluntary for KiwiSaver members and scheme providers.
- Retirement savings may only be transferred between a KiwiSaver scheme and an Australian complying superannuation scheme regulated by the Australian Prudential Regulation Authority (APRA).
- A KiwiSaver member must permanently migrate to Australia to be able to transfer their retirement savings.
- Any KiwiSaver member tax credits and the \$1,000 kick-start payment may be transferred to Australia.
- A KiwiSaver member will not be able to withdraw any retirement savings in cash upon permanent migration to Australia, as can be done one year after the person migrates to a country other than Australia.
- An amount of Australian-sourced retirement savings transferred to a KiwiSaver scheme under the portability arrangements will be treated as exempt from tax at the point of entry.
- Australian-sourced retirement savings will be subject to certain Australian complying scheme rules, including a minimum retirement age of 60. These savings cannot be withdrawn to purchase a first home.

#### **Questions and answers**

##### ***Why is retirement savings portability being implemented?***

The New Zealand and Australian labour, financial, and goods and services markets are highly integrated by international standards. Retirement savings portability is part of the Single Economic Market (SEM) work programme, which builds on our existing relationship and aims to reduce barriers that may impede the movement of people, trade and capital across the Tasman.

The introduction of retirement savings portability supports and adds to the degree of integration between the two countries by allowing New Zealanders and Australians to consolidate their financial affairs in their country of residence.

##### ***When will the portability arrangements take effect?***

The arrangements take effect from 1 July 2013.

##### ***What kind of transfers will be allowed under the portability arrangements?***

- Savings that are held in a New Zealand KiwiSaver scheme may be transferred to Australia. This means savings in all other funds (including complying funds) or other retirement funds cannot be transferred.

- The arrangements will allow individuals to transfer all their savings held in a KiwiSaver fund, including member tax credits and the \$1,000 kick-start from the Government.
- The portability arrangements will be the only way of making a transfer of KiwiSaver funds to Australia. This means individuals will no longer be able to withdraw their savings as cash one year after permanently migrating to Australia. However, as noted above, you will be able to transfer the amount of member tax credits you have accumulated. The current KiwiSaver rules require you to return your member tax credits to the Government if you withdraw your savings as cash.
- KiwiSaver funds can only be transferred to Australian complying schemes regulated by the Australian Prudential Regulation Authority (APRA). This means you cannot transfer your savings to an Australian self-managed superannuation fund.

For more information on which Australian schemes apply, go to <http://www.apra.gov.au/Super/Pages/default.aspx>

- Retirement savings transferred from Australia may only be transferred into KiwiSaver funds in New Zealand. This means Australian savings cannot be transferred into any other private retirement funds (including complying funds).

***If I move to Australia, can I leave my savings in KiwiSaver instead of transferring them?***

Yes. Transferring your savings to Australia when you migrate is optional. However any contributions you make to your KiwiSaver account while living offshore will not be eligible for member tax credits.

***If I transfer my savings to Australia, when will I be able to access them?***

You will be able to access your KiwiSaver funds at the age of entitlement to New Zealand superannuation. Currently this is at 65 years of age. Any earnings on these KiwiSaver funds as well as contributions made while in Australia will be subject to all Australian rules regarding access to funds.

***Which country's rules will apply to savings transferred between the two countries?***

In general the rules of the host country scheme will apply. However there are certain differences that will be applied to transferred savings in order to protect the integrity of the respective schemes.

These differences apply only to the savings that are transferred, and not to any subsequent earnings on these transfers.

The key differences are set out in the table below:

<b>New Zealand KiwiSaver funds transferred to Australia:</b>	<b>Australian funds transferred to New Zealand:</b>
May not be accessed until the New Zealand age of retirement (65 years).	May not be accessed until age 60 and the individual satisfies the Australian definition of retirement at that age.
May not be transferred into Australian self-managed superannuation funds.	May not be used to assist with the purchase of a first home.
May not be transferred to a third country.	May not be transferred to a third country.

***If I transfer savings from Australia, can I use those funds to put towards buying a first home?***

As noted in the table above, funds transferred from Australia cannot be used to buy a first home. **This is consistent with Australia's** policy regarding superannuation funds. In addition, any savings transferred from Australia will not count towards your eligibility for the deposit subsidy.

For more information on the housing-related initiatives of KiwiSaver, go to <http://www.hnzc.co.nz/rent-buy-or-own/buying-your-first-home-with-kiwisaver>

***How will these different rules be applied to transferred savings?***

Any savings transferred between the countries must be separately identified within an individual's retirement savings account.

***Can I transfer my savings to Australia even if I don't migrate there?***

You can only transfer funds to Australia if you permanently migrate. Before transferring your funds, your KiwiSaver scheme provider will require proof that you are residing in Australia.

***Can I transfer some savings to Australia and leave some in New Zealand?***

No. If you choose to transfer your savings to Australia when you migrate, you must transfer them all. This avoids the proliferation of small and inactive accounts which are costly to administer.

***If I transfer savings from Australia, can I withdraw these for reasons of significant financial hardship or on compassionate grounds, such as serious illness?***

Australian savings transferred to New Zealand will be subject to New Zealand rules regarding hardship access. Likewise, New Zealand savings transferred to Australia will be subject to Australian rules regarding early access.

***Does my KiwiSaver provider have to accept my funds from Australia if requested?***

It is not compulsory for scheme providers to receive funds from Australia. However KiwiSaver members are able to transfer their savings to a KiwiSaver scheme that does offer this facility.

***Do I have to transfer my savings if I move to Australia or vice versa?***

No, the arrangements are voluntary.

***Will New Zealand tax any transfers from New Zealand to Australia or vice versa?***

No.

***Will Australia tax any transfers?***

Australia will not specifically tax the transfer of retirement savings to or from New Zealand. However at the initial point of entry into the Australian superannuation system, transfers of New Zealand savings will be subject to **Australia's** rules regarding

the taxation of retirement savings contributions greater than \$150,000 per annum. This is known as the non-concessional contributions cap.

For more information on this cap go to:

<http://www.ato.gov.au/superfunds/content.asp?doc=/content/00106372.htm&page=6&H6>

Australian-sourced retirement savings, and any New Zealand-sourced retirement savings re-entering Australia, will be exempted from these rules upon re-entering the Australian superannuation system.

### ***Is there a difference in the rate of tax on earnings between Australia and New Zealand?***

Yes, Australia generally has a flat rate of 15% on earnings.

The New Zealand tax rate on superannuation earnings generally ranges from 10.5% to 28%.

It is also not straightforward to make a comparison between the two tax regimes because of other factors. For example, Australia also taxes capital gains on equities whereas New Zealand does not tax capital gains on Australasian equities.

There are also other advantages to transferring your retirement savings to your country of residence, such as being able to consolidate your financial affairs and not pay multiple sets of fees.

### **Further information**

For further information about the retirement savings portability scheme in general, please refer to Inland Revenue's *Technical Information Bulletin* Volume 22 Issue 10, pages 50-52: <http://www.ird.govt.nz/technical-tax/tib/vol-22/issue-10/>

For information on transferring funds please contact your KiwiSaver scheme provider. **If you are unsure how to contact** your scheme provider, ask Inland Revenue on 0800 KIWISAVER (0800 549 472).