**Cabinet Economic Development Committee**

**Minute of Decision**

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**Business Transformation: KiwiSaver Changes for Inclusion in the Next Omnibus Taxation Bill**

**Portfolio Revenue**

On 20 March 2019, the Cabinet Economic Development Committee:

# Payment of employer contributions

1. **agreed** that Inland Revenue pay an amount of employer contribution out of public money to a KiwiSaver scheme provider in advance of the contribution amount being received, but where an employer has filed information with Inland Revenue that an employer contribution has been made;
2. **noted** that an appropriation is required to make such payments out of public money;
3. **agreed** to establish a permanent legislative authority enabling Inland Revenue to transfer employer contribution amounts to KiwiSaver scheme providers before the contribution amount has been received;
4. **agreed** to combine the permanent legislative authority with the existing permanent legislative authority in section 73(3) of the KiwiSaver Act 2006 (which applies to the transfer of employee contributions to KiwiSaver scheme providers) into a single permanent legislative authority;
5. **agreed** that the reporting required under section 11(2) of the Public Finance Act 1989 in respect of the permanent legislative authority be limited to the amount of KiwiSaver contributions paid by Inland Revenue to KiwiSaver scheme providers in advance of contribution amounts being received from employers (not the total amount of employee and employer contributions Inland Revenue pays to KiwiSaver scheme providers);
6. **agreed** that the legislative implications of the proposals in paragraphs 1-5 above be included in amendments to the KiwiSaver Act 2006;
7. **agreed** that, provided the necessary legislative amendments have been passed and come into force, the financial implications associated with the above proposals be included in the 2019/20 Supplementary Estimates;

# Other changes

1. **agreed** that interest calculations on employer contributions held by Inland Revenue commence from the pay date a member’s employer has reported;
2. **agreed** that interest calculations on employee contributions held by Inland Revenue commence from the pay date a member’s employer has reported;
3. **agreed** that the provisional period (that applies to members who are automatically enrolled in KiwiSaver) be reduced from three months to two months;
4. **agreed** that the period that Inland Revenue must hold initial KiwiSaver employee and employer contributions be reduced from three months to two months;
5. **agreed** that the period a scheme provider has to share member information and transfer funds to a new provider when a member transfers schemes be reduced from 35 days to 10 days;
6. **agreed** that KiwiSaver members be able to change contribution rates through their scheme provider or Inland Revenue (in addition to their employer);
7. **agreed** to the removal of the three-month grace period, for people who were incorrectly enrolled in KiwiSaver, to gain New Zealand residence;
8. **agreed** that employers be required to provide the following information to Inland Revenue about new employees and existing employees where this information has changed:
   1. the income amount members’ contributions are calculated from; and
   2. an employee’s employer superannuation contribution tax (ESCT) rate;

# Legislative implications

1. **agreed** that the above proposals be included in the next omnibus taxation bill, which is scheduled for introduction in mid-2019;
2. **invited** the Minister of Revenue to issue drafting instructions to Inland Revenue to give effect to the above proposals.

Janine Harvey Committee Secretary

**Present: Officials present from:**

Hon Kelvin Davis Hon Phil Twyford Hon Chris Hipkins

Hon David Parker (Chair) Hon Nanaia Mahuta

Hon Stuart Nash

Hon Damien O’Connor Hon Tracey Martin Hon Willie Jackson Hon James Shaw

Hon Eugenie Sage

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Minister of Revenue