



POLICY AND STRATEGY

**Joint Report:** Fiscal and distributional analysis s9(2)(f)(iv)  
 KiwiSaver proposals

<b>Date:</b>	28 January 2019	<b>Report No:</b>	T2019/1 IR2019/013
		<b>File Number:</b>	SH-13-7-9

**Action Sought**

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	<b>Note</b> the analysis included in this report <b>Agree</b> to discuss analysis with officials at Joint Ministers meeting on 29 January 2019	29 January 2019
Minister of Revenue (Hon Stuart Nash)	<b>Note</b> the analysis included in this report <b>Agree</b> to discuss analysis with officials at Joint Ministers meeting on 29 January 2019	29 January 2019

**Contact for Telephone Discussion (if required)**

Name	Position	Telephone	1st Contact
<span style="background-color: #cccccc;">s9(2)(a)</span>	Analyst, The Treasury	<span style="background-color: #cccccc;">s9(2)(a)</span>	✓
Matt Nolan	Senior Analyst, Inland Revenue		
Matt Benge	Chief Economist, Inland Revenue		
Matt Cowan	Team Leader, The Treasury		

**Actions for the Minister's Office Staff (if required)**

Return the signed report to the Treasury.
---

Note any feedback on the quality of the report

--

**Enclosure:** No



**Joint Report:** Fiscal and distributional analysis s9(2)(f)(iv)  
 KiwiSaver proposals

---

**Executive Summary**

---

At your meeting with officials on 17 December 2018, you requested information on the following:

- s9(2)(f)(iv)
- Distributional analysis of the Tax Working Group's KiwiSaver proposals.

s9(2)(f)(iv)

***KiwiSaver proposals***

The Tax Working Group has proposed several changes to KiwiSaver. The analysis in this report shows the gains made from these proposals by KiwiSavers in different income groups. It compares these to the cost of the additional tax on KiwiSaver funds from taxing more capital gains.

**Recommended Action**

---

We recommend that you:

- a **Note** the analysis in this report.

*Noted*

*Noted*

- b **Agree** to discuss the analysis with officials on 29 January 2019.

*Agreed / not agreed*

*Agreed / not agreed*

Matt Cowan  
**Team Leader**  
The Treasury

Matt Bengé  
**Chief Economist**  
Inland Revenue

Hon Grant Robertson  
**Minister of Finance**  
/ /2019

Hon Stuart Nash  
**Minister of Revenue**  
/ /2019

**Joint Report:** Fiscal and distributional analysis s9(2)(f)(iv)  
  KiwiSaver proposals

---

**1. Purpose of Report**

---

1. This report responds to your requests for:

- s9(2)(f)(iv)
- Distributional analysis of the Tax Working Group's KiwiSaver proposals.

s9(2)(f)(iv)

s9(2)(f)(iv)

#### 4. KiwiSaver proposals

34. The Tax Working Group has proposed several changes to KiwiSaver (T2018/3429, IR2018/800 refers). Table 6 below shows the distributional impact of these proposals. For different income groups, it shows the aggregate cost to KiwiSavers as a result of taxing more capital gains from KiwiSaver funds, and compares this to the aggregate gain as a result of each KiwiSaver proposal.

*Table 6: Impact of KiwiSaver proposals, (2021/22)*

	Aggregate cost / gain		
	\$0-48,000	\$48,000-\$70,000	\$70,000+
Additional tax on KiwiSaver funds from taxing more capital gains	-\$19m	-\$19m	-\$46m
ESCT exemption for those earning less than \$48,000	\$180m	\$0m	\$0
ESCT exemption, with 6c abatement for every dollar earned above \$48,000	\$180m	\$96m	\$0
Increase member tax credit from \$0.50 for every \$1 of contribution to \$0.75	\$227m	\$130m	\$133m
Member tax credit for primary caregiver	\$7m	\$2m	\$3m
Reduce lower PIE rates for KiwiSaver by five percentage points	\$70m	\$24m	\$0m

Source: Tax Working Group

35. Officials consider that these measures are unlikely to significantly increase the amounts that individuals contribute to their KiwiSaver funds. If the Government's objective is to support the overall lifetime welfare of lower income households more generally, we consider that changes to the tax and welfare settings are likely to be more effective than these KiwiSaver measures.

Note: Pages 12 to 14 have been removed under section 9(2)(f)(iv) OIA

s9(2)(f)(iv)