

KiwiSaver - Frequently Asked Questions

Members from the forums on the KiwiSaver Scheme raised the following questions. The answers noted below have been received from the Inland Revenue's National Office.

The Association is grateful to the Colin Barry, Anne Williams and Andrew Button of Deloitte for their time in facilitating our KiwiSaver forums. We also acknowledge the support of Nicole Manawatu of the Inland Revenue Department for providing the following answers to members questions and facilitating later KiwiSaver forums.

Contribution Holiday:

Question:

Both the Employee and their Employer are contributing to KiwiSaver. The Employee takes a contribution holiday. Whilst the contribution holiday is active, can the employer continue to make the Employer Contribution into the employees account for the amount, which they are contributing?

Answer:

Yes, an employer continues to make contributions during the life of a contributions holiday, dependent on the agreement entered into with the Employee.

Application for Contribution Holiday

Question:

It was discussed whether the employee could give the form directly to the Employer or send it straight to Inland Revenue. It was asked which was the best method?

The member (in this instance) advised it was better to give it to the employer first, they would stop deductions but they would need to await confirmation from Inland Revenue that the Contribution Holiday had been accepted. The question was asked what would happen if the contributions had been stopped but then Inland Revenue said the employee could not have the contribution holiday. The deductions would recommence via the employer. However would the employee then have to pay to Kiwi Saver the value of the missed deductions?

Answer:

No. Employees should send this form to Inland Revenue, as we advise the Employer to cease making deductions upon approval. The best way for a member to request a contributions holiday either by phone or online.

Opting Out

It is important that Opt Out forms are given to the Employer in the first instance to ensure that deductions cease. Employers have an obligation to provide an Information Pack to their new employees within the first 7 days of starting new employment.

Employer Contribution

Question:

If the Employer makes a contribution as part of a salary package, and the employee then Opts Out of KiwiSaver, will the Employer contribution be refunded back to the Employer? Or will the total contributions received both Employer and Employee, be refunded to the Employee? The Employer expressed concern that they may need to recover their contribution directly from their staff member. (The concern here was Inland Revenue may refund both the Employer Contribution and the Employee contribution back to the Employee. If this happened the Employer would need to recover their contribution from the employee.)

Answer:

Yes, Inland Revenue will refund the employer contribution direct to the employer and the employee refunds will go direct to the employees' bank account.

Question:

When employer contributions get to 4% the Government said it is going to tax credit back to employer is it capped?

Answer:

Yes, it is capped from when these contributions commence. The proposed tax credit back to the employer will be \$1040.00 per member per year.

Question:

If the employer makes a contribution does this go to IRD as well?

Answer:

Yes, Inland Revenue will collect the employer contribution and pass this on to the provider along with the employee contributions.

Scheme Providers

Question:

How soon will Inland Revenue know who the chosen 'provider' for the employee is? How will Inland Revenue be informed?

Answer:

Inland Revenue will allocate a default scheme provider (via provisional allocation), if no Employer Chosen Scheme is in place; this provisional allocation is then superseded if and when the Employee makes an active choice. We will be notified of this active choice via an acceptance notification from the Scheme Provider.

Question:

From the other providers where can employees/employers find to find out who meets the criteria set down by KiwiSaver?

Answer:

If you use the link below you will find out requirements for becoming a KiwiSaver approved provider. You will need to use the links in the left hand menu to read each point. Also part 4 of the KiwiSaver Act - KiwiSaver Schemes addresses the requirements. www.ird.govt.nz/KiwiSaver/providers/running/branding/

Question:

Where can details be found on the other providers?

Answer:

This link provides information for our 6 default providers, which you are able to link to for information. I have requested information on whether there is a directory for all providers that are approved KiwiSaver Schemes. (www.ird.govt.nz/news-updates/like-to-know-KiwiSaver-dec.html.)

Question:

Who accepts the risk if the provider falls over?

Answer:

There is no Crown guarantee of KiwiSaver schemes or products. This is set out in Part 5 General provisions section 205 (1).

"There is no Crown guarantee in respect of any KiwiSaver scheme or investment product of a KiwiSaver scheme." All employees have the ability to make an active choice, however if they do not make an active choice they will be allocated a default provider."

Question:

What's the opportunity for providers outside current six deferred providers to be associated with KiwiSaver?

Answer:

There are currently around 20 additional scheme providers outside of the 6 default providers please refer to www.KiwiSaver.govt.nz and www.med.govt.nz for lists of these providers.

Question:

An employee if he chose a provider and in a scheme with them, is there a way that lump sums can be transferred?

Answer:

Transfers from existing providers would be subject to the rules of the existing scheme. Please contact existing provider for this information.

Question:

Can you change your provider?

Answer:

You can change your provider, however this will be at a cost to the member

Mortgage Diversion

Question:

1. Mortgage diversion, there is a lot of criteria, is it true they have to buy in a specific area?
2. Why is there a value on the house?
3. Does it matter how much they have saved to get \$5k?
4. Can only get \$5k from Housing NZ? Does it have to be repaid?
5. Contributions?

Answer:

The criteria for "First Home subsidy" has been set by Housing New Zealand, please refer to website www.hnzc.govt.nz.

Question:

Is there a scheme under Housing NZ?

Answer:

There is not a scheme as such, but an incentive for those buying their first home.

Question:

Is KiwiSaver different to Housing NZ?

Answer:

Yes it is. Housing NZ set the criteria for the "First Home subsidy" and KiwiSaver is the name of the savings initiative.

Question:

They can draw down all the contributions they've made, but what if it only comes to \$5k?

Answer:

The member can withdraw all of their contributions for first home subsidy, regardless of amount.

Question:

Is this the only case you can access money until retirement age?

Answer:

Members will be able to withdraw their contributions in cases of significant financial hardship, serious illness or permanent emigration. In the case of permanent emigration, the member will also be able to withdraw the government \$1000 contribution. This does not include the Member Tax Credit - if you emigrate this is paid back to the Government.

If a member dies, his or her KiwiSaver money, including the government \$1000 contribution, will be payable to the member's personal representative so that it can be available to the estate and the member's beneficiaries. (This is also on pg 19 of the KS3.)

Question:

So the providers can build their own rules, but the govt sets the minimum level?

Answer:

The Government Actuary has set criteria for all scheme providers and provides oversight of these schemes. There are other add-ons that providers offer.

Question:

Are there any lists of who do mortgage diversion?

Answer:

No, there is not a list of these providers although you can find information on www.KiwiSaver.govt.nz and www.med.govt.nz with the list of providers and check to see which providers offer mortgage diversion.

Other

Question:

Redundancy: Will KiwiSaver deductions be required to be taken off redundancy payments?

Answer:

Yes

Question:

Investment Statements: What will Investment Statements, issued by Inland Revenue look like? How soon after deductions are received by Inland Revenue will the Investment Statement be issued?

Answer:

Inland Revenue will stock copies of the Default Scheme provider Investment Statements to be sent to employees. Inland Revenue does not issue its own, as we are not a provider.

Question:

The 4% up to a maximum of 8% of employee contributions (of gross salary or wages) - is it put into the KiwiSaver plan pre or post tax dollars? i.e. the money that goes into the account is it before or after tax?

Answer:

The gross amount of income is taxed i.e. inclusive of KiwiSaver deductions.

Question:

If the contributions are taxed before they go into the scheme, is the capital gain on the contribution taxed or is it growing tax-free?

Answer:

There is no tax on the contribution when in the scheme. The fund /scheme will deduct RWT on the interest.

Question

What is Salary Sacrifice?

Answer:

At this point we have no external publications outlining this issue, however Master Tax guide 2007 33-300 Remuneration of employees have limited commentary on Superannuation (SSCWT).

Question:

Are Non Residents subject to automatic enrolment rules?

Answer:

Automatic enrolment is only for NZ residents or those that have residency indefinitely (refer to immigrations act 1987). If an employee is here on a visitors or working permit ONLY, they will not be subject to the automatic enrolment rules.

Question:

Students and people on work permits do we need to consider them, ie, non-residents.

Answer:

Employees that are non-resident are not subject to automatic enrolment rules and also do not have the option to opt-in.

Question:

Talking about eligibility, what about temporary employee/seasonal worker?

Answer:

If an employee works for less than 28 days they will not be subject to automatic enrolment rules, however once they remain on a payroll over 28 days they will be subject to the automatic enrolment rules from the 29th day.

Question:

What's your view on temp/casual staff, ie, tanker drivers, plant processors who come to us in a dairy season, more than 3 months/29 days, will they be eligible and opting in?

Answer:

Yes, they will be eligible to opt in. They will need to contract directly with the provider and negotiate contributions. However if the employee is on the payroll beyond the 3 months for casual agricultural workers they will subject to automatic enrolment rules.

Question:

With under 18's and not being eligible for the tax credit, if they are 17, do we have to deduct KiwiSaver?

Answer:

An employee under 18 is not subject to automatic enrolment rules however; if they decide to become a KiwiSaver member they will make contact and enrol directly with their chosen scheme provider. The scheme provider will then advise and direct the employer to commence KiwiSaver deductions.

Question:

When KiwiSaver was first mooted it was proposed that employee could contribute 2% and the employer 2%, now I can't find that information, is it still valid?

Answer:

Split employee contributions are still valid until 1 April 2008, after that date with the proposed compulsory employer contribution the KiwiSaver member will be required to contribute a minimum of 4%.

Question:

Could staff not do a contribution of 3%?

Answer:

No, the set rates are 4% and 8%.

Question:

If you had the employee this year at 1% and employer 4%, could you still do mortgage diversion?

Answer:

Mortgage diversion rules are set out by the scheme provider; you would need to ask this question of them.

Question:

If you have someone on work experience and they stay for two months and then goes back to university and are not earning anything are they contacted by IRD?

Answer:

If an employee leaves any paid work and is a KiwiSaver member at that time, they will not be required to make payments while they have no income.

If members have further questions please contact the NZMEA on 0800 353 2540 or email mea@mea.org.nz.