

Global People Solutions

New Zealand amends the KiwiSaver regime

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The government of New Zealand introduced a tax omnibus bill that amends several tax acts to include some minor changes to the KiwiSaver regime. The changes aim to improve and modernize the administration of the tax system. The Taxation Bill is currently awaiting royal assent and is expected to enter effect on 1 April 2019.

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Background

KiwiSaver is a voluntary, work-based savings plan that is managed by private-sector companies called KiwiSaver providers. Employees can choose which KiwiSaver provider to invest their money with. Employers are required to contribute 3 percent of an employee's salary before taxes when the employee is a KiwiSaver member. However, employers are not required to make contributions to the employee's KiwiSaver account in any of the following conditions:

- The employer is already paying into another registered superannuation plan for the employee.
- The employee is under age 18.
- The employee is over age 65 (unless the employee joined KiwiSaver after age 60, as employers are required to contribute for a 5-year period).

Key details

The bill introduces the following changes to the KiwiSaver plan:

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- People will now be able to join KiwiSaver after age 65, but the employer will still not be required to contribute to the accounts of KiwiSaver members over age 65.
- Employees' currently can choose to save 3, 4 or 8 percent of their pre-tax salary. These options have been expanded to allow for savings of 3, 4, 6, 8 or 10 percent of pre-tax salary. The salary from which the savings are drawn from includes allowances, bonuses, commission, extra salary, overtime, gratuities and other remunerations of any kind before taxes. The default rate of 3 percent applies if the employee doesn't choose a rate.

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Employers should monitor the implementation timeline of the bill and comply accordingly. The KiwiSaver plan is likely to see more changes in the next decade as part of the broader government plan to improve the structure of the New Zealand tax system. The Tax Working Group created by the government to achieve this goal recommends encouraging low-income New Zealanders to contribute savings into the KiwiSaver plan. The group is still brainstorming on the best measures to achieve this.

Useful resources

[Taxation Bill](#) - Annual Rates for 2018-19, Modernising Tax Administration, and Remedial Matters

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