KS 4 **APRIL 2012**

KiwiSaver employer guide

- *What employers need to know about KiwiSaver*

WHAT IS KIWISAVER?

KiwiSaver is a voluntary, work-based savings initiative designed to make regular saving for retirement easier for New Zealanders.

www.ird.govt.nz/kiwisaver

Inland Revenue
Te Tari Taake

KiwiSaver
Poua he Oranga

KiwiSaver
Poua he Oranga

An overview of your KiwiSaver responsibilities as an employer

New employee starts at your business (existing employees can also join)

Existing employees – see page 10
Exempt employers – see page 29

You give them a KiwiSaver employee information pack supplied by Inland Revenue if they meet the criteria for automatic enrolment or if they are considering opting in or if they ask for one

See page 8

Employee gives you their details, including IRD number, name and address. Send this information to Inland Revenue

You automatically enrol new employee and start deductions from the employee's first pay, or start making deductions for employees that opted in. You must also make compulsory employer contributions on behalf of your employee

Employee stays in KiwiSaver

New employee opts out

New employee can opt out by giving you or Inland Revenue an opt out form: send form and the *New employee details (KS 1)* form to Inland Revenue

See page 21

If the employee opts out, you must stop making deductions and you can refund any KiwiSaver contributions held that have not been sent to Inland Revenue. Employer contributions you have made will be refunded to you. Late opt outs operate slightly differently

Pay contributions to Inland Revenue with your PAYE payments. Please send new employee details to Inland Revenue before your employer monthly schedule if possible

Inland Revenue passes contributions to your employee's scheme provider

Employees or Inland Revenue can ask you to stop KiwiSaver deductions by showing you a contributions holiday notice from Inland Revenue

See page 22

You can view copies of all the forms and guides mentioned in this guide by going to **www.ird.govt.nz** and selecting 'Forms and guides'. You can also order copies by calling our 0800 self-service number 0800 257 773 (see page 30).

About this guide

This guide focuses on your KiwiSaver obligations as an employer. An employer is a person who pays, or who is liable to pay, salary or wages. The KiwiSaver Act 2006 covers employers who are New Zealand residents or who carry on business from a fixed establishment in New Zealand. Employers who are not New Zealand residents or do not carry on business from a fixed establishment in New Zealand, may choose whether they offer KiwiSaver in their workplace. For example, a non-resident employer may choose to make KiwiSaver deductions and contributions for their eligible employees. Non-resident employers who are intending to participate in KiwiSaver and who are not registered for PAYE should contact Inland Revenue for more information.

You can find further information about employer obligations for complying funds[1] at **www.ird.govt.nz**

Please also see the KiwiSaver employee information pack for more general information.

Contents

1 A complying superannuation fund (complying fund) is a section of registered superannuation schemes that have been approved by the Financial Markets Authority as having met certain criteria similar to KiwiSaver (eg, KiwiSaver lock-in rules and portability).

How KiwiSaver works

Inland Revenue administers KiwiSaver

KiwiSaver is a voluntary savings initiative designed to make it easier for New Zealanders to save for their future. For most people, KiwiSaver is work-based. This means they receive information about KiwiSaver from you as their employer, and their KiwiSaver contributions come straight out of their pay. You are also required to contribute to your employee's savings in KiwiSaver schemes and complying funds.

There are a number of membership benefits to encourage employees to save. These are set out in the KiwiSaver employee information pack.

Enrolment

Eligibility

KiwiSaver is open to all New Zealand citizens and people entitled to be in New Zealand indefinitely who are under the age of eligibility for New Zealand Superannuation (currently 65). A person needs to be living (or normally living) in New Zealand to join.

New employees

You must automatically enrol eligible new employees who are not already KiwiSaver members. See page 9 to check if your new employee is eligible for automatic enrolment. Temporary and casual workers may be exempt from KiwiSaver automatic enrolment – see page 5.

Make KiwiSaver deductions from the employee's first pay and continue unless they opt out. New employees who have been automatically enrolled in KiwiSaver can opt out any time on or after day 14 and on or before day 56 after starting their employment. Their contributions will be refunded. If your employee opts out, your employer contributions will be refunded.

Existing employees

Existing employees are not subject to automatic enrolment but, if eligible, they can choose to join KiwiSaver. They either sign up direct with the KiwiSaver scheme provider of their choice, or tell you they want to opt in. They will usually do this by giving you a *KiwiSaver deduction form (KS 2)*, which is in the KiwiSaver information pack. If you receive one of these, you need to determine if they are eligible to opt in (see page 4), and, if they are, send the information to Inland Revenue and start making member and compulsory employer contributions.

Contributions

Member contributions

Employees can choose a contribution rate of either 2%, 4% or 8% of their gross salary or wages.

Employer contributions

From 1 April 2009 the compulsory employer contribution rate is 2% of your employee's gross salary or wages. Your contributions to existing superannuation schemes reduce the amount of compulsory employer contribution you're required to pay, if they meet certain conditions – see page 16.

From 1 April 2012 employer cash contributions to KiwiSaver and complying funds are liable for ESCT (see page 15).

How contributions are collected

You deduct KiwiSaver contributions from your employee's salary or wages and pay them to Inland Revenue with your PAYE payments. You keep making deductions and employer contributions until your employee gives you a *New employee opt-out request (KS 10)* form or contributions holiday notice, or Inland Revenue tells you to stop contributions (see page 13).

KiwiSaver member and employer contributions are paid to Inland Revenue through the PAYE system. Inland Revenue forwards contributions to the member's chosen KiwiSaver scheme provider. If you pay compulsory employer contributions on behalf of employees who are members of complying funds, payments are made direct to the scheme provider.

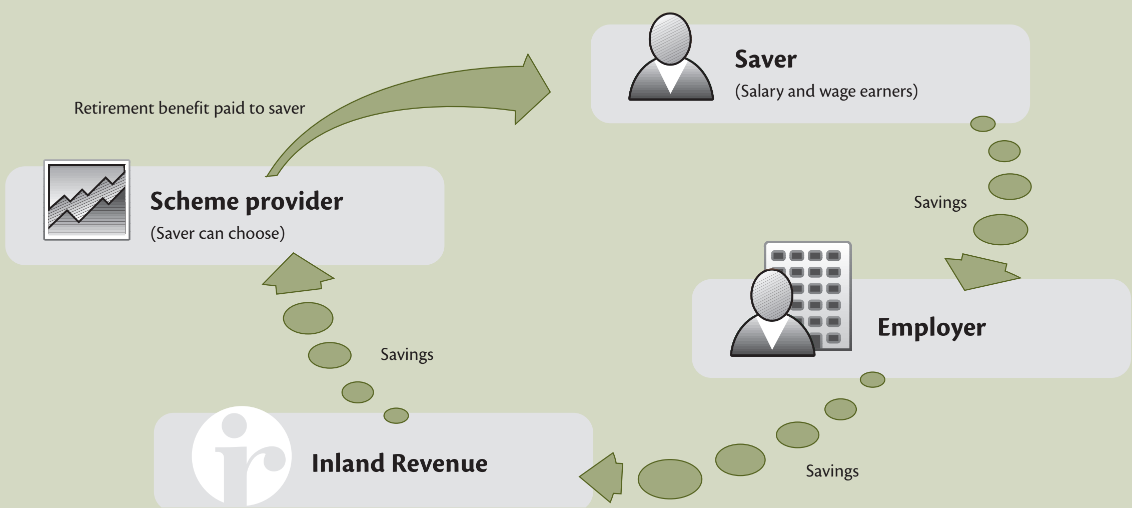
Your options as an employer

There are a number of options available if you would like to be more involved in encouraging retirement savings among your employees. These include making additional voluntary employer contributions and/or providing your own employer-based KiwiSaver scheme. You can also nominate a KiwiSaver scheme for your employees to join if they make no choice of their own. This is called an employer-chosen scheme (see page 28).

A note about providing financial advice

You should not provide financial advice to employees. Instead, refer them to the Commission for Financial Literacy and Retirement Income's website ***www.sorted.org.nz*** *or encourage them to talk to an independent financial advisor. You do not have any liability if you only provide general savings or KiwiSaver information or select an employer-chosen scheme.*

How savings are invested



Enrolment

1

This section sets out your responsibilities as an employer with regard to enrolling employees in KiwiSaver.

What's important

You are required to:

- check whether a new or existing employee is eligible to be a KiwiSaver member (see below)
- check whether the new employee should be automatically enrolled (see page 9)
- distribute the KiwiSaver information pack, this includes our factsheet *Your introduction to KiwiSaver—employee information (KS 3), KiwiSaver deduction form (KS 2)* and the *New employee opt-out request (KS 10)* form, to new employees who are subject to automatic enrolment, and to existing employees who are considering opting in or who ask for one
- provide new employees with an investment statement if you have an employer-chosen KiwiSaver scheme and advise them they'll be allocated to this scheme unless they choose their own KiwiSaver scheme (see page 28)
- automatically enrol all new employees who are subject to automatic enrolment
- send us the details of new employees who are enrolled automatically in KiwiSaver, including name, address and IRD number. Please send us these details before your employer monthly schedule (EMS) if possible, so that an account can be set up for the member's contributions before the EMS is received.

If you don't enrol new eligible employees in KiwiSaver and make compulsory employer contributions for them, you may have penalties imposed.

You should not give financial advice to your employees. Refer them instead to the Commission for Financial Literacy and Retirement Income's website **www.sorted.org.nz** for independent financial information or direct them to an independent advisor.

Who can join KiwiSaver?

KiwiSaver is open to all New Zealand citizens and people entitled to live here permanently who are under the age of eligibility for New Zealand Superannuation (currently 65).

Citizenship and residency

To join KiwiSaver, a person must be living (or normally living) in New Zealand, and be a New Zealand citizen or entitled, under the Immigration Act 1987, to be in New Zealand indefinitely. This means New Zealand citizens, Australian citizens and people who hold either a New Zealand or Australian residence permit can join KiwiSaver. State Services employees serving outside New Zealand can also join, subject to certain conditions being met (see page 5). People who hold temporary, visitor, student or work permits can't join KiwiSaver. Neither can people who are New Zealand citizens or who are entitled to be in New Zealand indefinitely, but are just visiting or on a holiday in New Zealand, for example, a New Zealand citizen who normally lives in Australia who returns to New Zealand for a holiday.

State Services employees

State Services employees who are serving overseas can join KiwiSaver if they remain employed on New Zealand terms and conditions and are serving in a jurisdiction where offers of KiwiSaver scheme membership are lawful and meet other eligibility requirements.

Employees under age 18

New and existing employees under 18 can join KiwiSaver but only by choosing and contracting direct with a KiwiSaver scheme provider. Once an employee under 18 is accepted by the scheme provider, we'll write to you and ask you to start deducting their contributions if they have nominated you as their employer in their application. We'll provide you with the contribution rate for that employee and their name and IRD number. You'll need to deduct member contributions for KiwiSaver members under 18 even though they may earn less than the annual amount that's required to have PAYE deducted. You aren't required to make compulsory employer contributions on behalf of employees under 18.

Temporary and casual employees

Temporary employees employed for 28 continuous days or less aren't enrolled automatically, but can opt in to KiwiSaver. They can join either through you or by contracting direct with a KiwiSaver scheme provider.

A temporary employee is an employee who's employed to work 'as and when required' without a specific end date, starts their period of employment each time they are engaged to work and ceases each time that engagement ends. If an employee is engaged for future work before the previous engagement has ended, the combined engagements are considered as one period of employment. As long as each period of employment remains 28 continuous days or less, these employees aren't subject to automatic enrolment. The 28 continuous days refers to the period of employment, not the days or hours worked. For example, if an employee has a two-week contract but only works Tuesdays and Thursdays, this counts as 14 days' employment not four days.

The automatic enrolment rules apply to temporary employees if their employment is extended beyond 28 continuous days. Automatic enrolment applies on the 29th day of employment. You must then give them a KiwiSaver information pack and start member and employer contributions from their next pay. The normal opt-out rules apply.

Casual employees engaged on an irregular and intermittent basis and who receive holiday pay with their wages are not subject to automatic enrolment. They can join either through you or by contracting direct with a KiwiSaver scheme provider.

Casual agricultural workers

Casual agricultural workers who are employed on a day-to-day basis for no more than three months aren't enrolled automatically, but can opt in. They can either join through you or by contracting direct with a KiwiSaver scheme provider. The automatic enrolment rules apply to casual agricultural workers if their employment is extended beyond three months. You must then give them a KiwiSaver information pack and start member and employer contributions from their next pay. The normal opt-out rules apply.

Private domestic workers

The automatic enrolment rules don't apply to private domestic workers who pay their own PAYE. They can opt in to KiwiSaver only by contracting direct with a KiwiSaver scheme provider, but they may deduct contributions from their salary or wages and pay them to Inland Revenue in the same way as PAYE. Private domestic workers may choose to make compulsory or voluntary employer contributions.

Changing jobs but not changing payroll

Situations where an employee changes jobs but remains on the same payroll don't count as new employment, so the automatic enrolment rules do not apply. This includes company amalgamations and the purchase and subsequent operation of a going concern. Examples include an employee who transfers between two company branches where the company has a single centralised payroll, or a business bought as a going concern and retaining existing staff but using a different company IRD number (note that this exemption does not apply to state and state-integrated schools, refer to page 6).

The automatic enrolment rules do apply if the employee's new workplace has a separate payroll. Here's an example:

e.g.

New workplace with a separate payroll

Jenny works as a team leader for a hardware store in Hamilton and is not a KiwiSaver member. She moves to Auckland to be a team leader in a new branch. She's automatically enrolled, as the new branch has a separate payroll to the Hamilton branch.

Contractors and the self-employed

Contractors who appear on the EMS (WT tax code etc) aren't employees and are treated as self-employed people for KiwiSaver purposes. This means they aren't automatically enrolled and can only join by contracting direct with a scheme provider. Don't make KiwiSaver deductions from their pay or include payments (employee contributions or employer contributions) on the EMS.

Shareholder-employees may be considered employees for KiwiSaver purposes if PAYE is required to be deducted from their salary or wage. If PAYE isn't required to be deducted, the shareholder-employee may join KiwiSaver as a self-employed person, by contracting direct with a scheme provider. If they join KiwiSaver as an employee, they'll have contributions deducted from their pay. Shareholder-employees should get advice to determine whether their remuneration is subject to PAYE.

Working partners of a partnership that pays them a salary or wage for services provided under a written contract of service will be considered employees for KiwiSaver purposes, but won't be subject to the automatic enrolment rules. They can either join as an employee or by contracting direct with a KiwiSaver scheme provider.

For further information, please visit **www.ird.govt.nz**

Seconded employees

Employees who are seconded to a new employer and are paid on the new employer's payroll aren't subject to automatic enrolment. They may join KiwiSaver as an existing employee by opting in. Returning to their original job at the end of the secondment isn't considered new employment.

New employees

What's important

Your responsibilities (except if you're an employer exempt from the automatic enrolment rules – see page 29) are to check whether a new employee:

- is eligible to be a KiwiSaver member, and
- should be automatically enrolled.

If they meet both these conditions:

- give your new employee a KiwiSaver information pack. If you have an employer-chosen KiwiSaver scheme give them the investment statement for that scheme and advise them they'll be allocated to this scheme unless they choose their own KiwiSaver scheme. (see page 28)
- deduct member contributions from their first pay
- make compulsory employer contributions
- pay ESCT (employer superannuation contribution tax) on any employer cash contributions made
- give us their details using the *KiwiSaver employee details (KS 1)* form. Please send us these details before your EMS if possible, so that an account can be set up for the member's contributions before the EMS is received. You can provide this information through ir-File (see below)
- if the employee chooses to opt out of KiwiSaver, send their *New employee opt-out request (KS 10)* form to us. Employees can opt out between day 14 and day 56 of starting their new employment.
- pay the member and employer contributions to us with your next PAYE payment.

Why not get it done online?

The *ir-File KiwiSaver details form* (click on *KiwiSaver KS 1* from the ir-File home page) is the electronic version of the *KiwiSaver employee details (KS 1)* and the *New employee opt-out request (KS 10)* paper forms. It allows employers who are registered for ir-File to electronically notify Inland Revenue of:

- new employees who meet the KiwiSaver automatic enrolment eligibility criteria
- existing employees who are not subject to the automatic enrolment rules but decide to join, and
- new employees who wish to opt out of KiwiSaver.

Employers can send in both the *KiwiSaver employee details (KS 1)* form and the *New employee opt-out request (KS 10)* form for a new employee if they want to opt out.

If you use a payroll software package, that package may be able to create electronic versions of the KS 1 and KS 10 that can be sent to us via ir-File (click on *File transfer* from the ir-File home page).

If you're registered for ir-File you can also file both your *Employer monthly schedule (IR 348/EMS)* and the *Employer deductions (IR 345/EDF)* form electronically.

For further information about ir-File talk to your payroll provider or visit **www.ird.govt.nz/online-services**

New employees who meet the criteria for automatic enrolment

1. Start the automatic enrolment process by giving the new employee a KiwiSaver information pack. You must do this within seven days of the employee starting work. The information pack includes a *KiwiSaver deduction form (KS 2)*, which the employee can use to let you know whether they want member contributions to be deducted at 2%, 4% or 8% of their gross salary or wages. If they don't advise you of their preferred rate, deduct member contributions at the default rate of 2%. The KS 2 should be retained by you and not sent to Inland Revenue.
2. If you have an employer-chosen KiwiSaver scheme give your new employee the investment statement for that scheme and advise them they'll be allocated to this scheme unless they choose their own KiwiSaver scheme (see page 28). They can choose, at a later date, to move to another KiwiSaver scheme.
3. Deduct member contributions from their first pay.
4. Make compulsory employer contributions (unless an exception applies).
5. Give Inland Revenue the full names, IRD numbers and addresses of new employees using the *KiwiSaver employee details (KS 1)* form. Please send us these details before your EMS if possible, so that an account can be set up for the member's contributions before the EMS is received. You can also supply this information online if you're registered for our ir-File service. You're only required to give us the information the employee gives you. You aren't responsible if an employee chooses not to provide information for privacy or other reasons. You must provide enrolment information supplied no later than the date your next EMS is due.

New employees who are existing members

You don't need to send Inland Revenue a *KiwiSaver employee details (KS 1)* form for new employees who are already KiwiSaver members.

Unless you are given or shown a valid contributions holiday notice, you must deduct member contributions from their first pay. Start deducting member contributions at the default rate of 2% if they don't elect a rate. You don't have to backdate member contributions, but a penalty may be applied if you don't start making deductions after you've been advised to do so.

You must also make compulsory employer contributions.

A new employee who is an existing KiwiSaver member must:

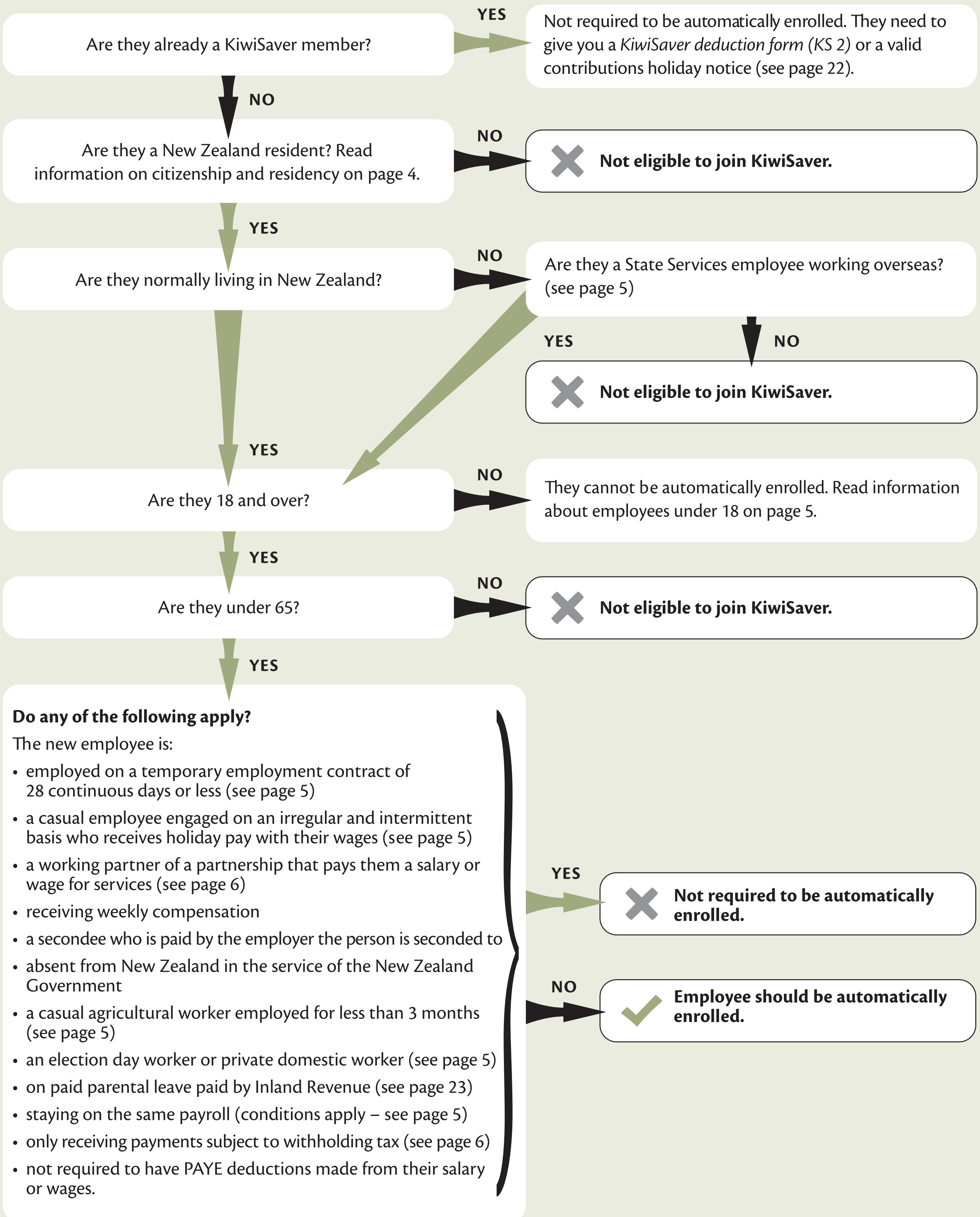
- tell you their full name, IRD number and address
- let you know whether they want member contributions deducted at the rate of 2%, 4% or 8% or give you a valid contributions holiday notice (see page 22).

An employee can use a *KiwiSaver deduction form (KS 2)* to give you their full name, IRD number, address and contribution rate. This form should be retained by you and not sent to Inland Revenue.

Are they eligible?

Use this chart to help work out whether a new employee should be automatically enrolled (unless you are an employer exempt from automatic enrolment – see page 29).

Eligibility rules for KiwiSaver – and rules around automatic enrolment – are covered in detail on pages 4–6.



Existing employees

What's important

For existing employees who are considering joining KiwiSaver, your responsibilities are to:

- give them a KiwiSaver information pack if they request it. You must do this within seven days. If you have an employer-chosen KiwiSaver scheme give them the investment statement for that scheme and advise they'll be allocated to this scheme unless they choose their own KiwiSaver scheme (see page 28).

For existing employees who give you a *KiwiSaver deduction form (KS 2)* or otherwise notify you that they wish to join KiwiSaver, or if we've advised you, your responsibilities are to:

- give them a KiwiSaver information pack
- check whether they are eligible to join KiwiSaver (see page 9)
- start deducting member contributions from their next pay at their advised rate or at the default rate of 2%
- make compulsory employer contributions at the rate of 2% of their gross salary or wages, starting from their next pay (unless an exception applies)
- give us their details using the *KiwiSaver employee details (KS 1)* form. You can provide this form manually or complete it online through ir-File. Please send us these details before your EMS if possible, so that an account can be set up for the member's contributions before the EMS is received.

Existing employees aren't enrolled automatically but they can join KiwiSaver as long as they meet the eligibility criteria (see page 4).

There are two ways an existing employee can join KiwiSaver. They can contract direct with their chosen KiwiSaver scheme provider or, if they are 18 or over and under 65 years old, they can join through you as their employer. They need to let you know their full name, IRD number, address and member contribution rate. They can do this by completing the *KiwiSaver deduction form (KS 2)*. This form should be retained by you and not sent to Inland Revenue.

If an existing employee chooses to join KiwiSaver through you, they will be allocated to your chosen KiwiSaver scheme (if you have one) or to a default scheme. They can then choose, at a later date, to move to another scheme.

What to do if an existing employee asks to join KiwiSaver

- You must give them a KiwiSaver information pack within seven days. The information pack includes a *KiwiSaver deduction form (KS 2)*, which the employee can use to let you know whether they want member contributions to be deducted at a rate of 2%, 4% or 8% of their gross salary or wages. If they don't nominate a contribution rate, make deductions at the default rate of 2%. This form should be retained by you and not sent to Inland Revenue.
- Check they are eligible to join KiwiSaver. If they're under 18 years old and eligible, advise them they need to contract direct with a KiwiSaver scheme provider.
- If you have an employer-chosen KiwiSaver scheme give them the investment statement for that scheme and advise they'll be allocated to this scheme unless they choose their own KiwiSaver scheme (see page 28).
- Deduct member contributions from their next pay.
- Make compulsory employer contributions from their next pay.
- Advise us of the details of the employee, using the *KiwiSaver employee details (KS 1)* form. Please send us these details before your EMS if possible, so that an account can be set up for the member's contributions before the EMS is received. You can provide this form manually or complete it online if you are registered for our ir-File service. You're only required to give us the information the employee gives you. You're not responsibile if an employee chooses not to provide information for privacy or other reasons. You must provide the enrolment information supplied no later than the date your next EMS is due.

Member contributions

2

What's important

You need to:

- make sure a new employee's member contributions start from their first pay
- make deductions at the rate they choose (2%, 4% or 8% of their gross salary or wages), or at the default rate of 2%. These are the only rates they can choose
- send deductions to us together with your *Employer deductions (IR 345)* form and PAYE payments using the *Employer monthly schedule (IR 348)*. You can file these forms online if you're registered for our ir-File service.

You're also required to make compulsory employer contributions to your employees' KiwiSaver schemes and complying funds. Compulsory employer contributions are explained in Part 3.

Contribution rates

Employees can choose a contribution rate of either 2%, 4% or 8% of their gross salary or wages. The employee can make additional voluntary contributions direct to their scheme provider or to Inland Revenue. Make deductions at the default rate of 2% if an employee elects any other rate or doesn't select a rate.

An amendment to an employee's chosen rate can't be changed at intervals that are less than 3 months apart, unless you (the employer) agree. Notification of this isn't required to be sent on to us.

Definition of gross salary and wages

KiwiSaver schemes

For contributions to KiwiSaver schemes, gross salary or wages generally means total salary, wages or allowances, including bonuses, commission, extra salary, gratuity, overtime and other remuneration of any kind before tax. It does not include:

- redundancy payments
- the value of providing board or lodging, or use of a house or part of a house, or the payment of an allowance instead of the provision of this benefit
- the value of overseas accommodation and cost of living allowances.

These are the main inclusions and exclusions from the definition of gross salary or wages. See **www.ird.govt.nz** for further information.

Complying superannuation funds

For contributions to complying funds, gross base salary or wages has the same meaning as for a KiwiSaver scheme **but** excludes bonuses, commissions and other amounts that aren't included in the employee's gross base salary or wages by the relevant complying fund.

Calculating deductions

Member contribution calculation tables are included in the *PAYE deductions tables* (*IR 340*) and (*IR 341*) to help make it easier for you to work out how much to deduct.

Here's an example:

An employee earns $600.00 a week and contributes 2% to KiwiSaver.

Gross pay	$600.00	
Less PAYE	$103.12	
Less KiwiSaver contribution	$ 12.00	(2% of $600.00)
Net pay	$484.88	

Special tax code or deduction rate certificate (IR 23)

Any KiwiSaver contributions that are or will be made from an employee's salary or wages must be in addition to their special tax code or deduction rate. For example, if an employee is on a deduction rate of 30% and they are making KiwiSaver contributions at 4%, total deductions from their salary or wages will be 34%.

Employees under age 18

You'll need to deduct member contributions for KiwiSaver members under 18 even though they may earn less than the annual amount that's required to have PAYE deducted.

You're not required to make compulsory employer contributions on behalf of employees under 18.

Starting and stopping deductions

New employees who meet criteria for automatic enrolment

You must make KiwiSaver deductions from all payments of salary or wages after the employee starts work unless:

- an opt-out notice takes effect (see page 21)
- a contributions holiday is granted (see page 22)
- the employee no longer receives salary or wages
- you are notified by Inland Revenue
- the employee becomes entitled to and withdraws their savings, ie, closing their account. An employee can continue contributing once they are eligible to withdraw their savings if they wish. You should stop making deductions only if the employee elects to stop making contributions.

Existing employees

Start deductions at the employee's nominated rate or the default rate of 2% from the first pay after they let you know they wish to join KiwiSaver, usually by giving you a *KiwiSaver deduction form (KS 2)*. You must make KiwiSaver deductions from all payments of salary and wages after the employee joins KiwiSaver unless:

- a contributions holiday is granted (see page 22)
- the employee no longer receives salary or wages
- you are notified by Inland Revenue
- the employee becomes entitled to and withdraws their savings, ie, closing their account. An employee can continue contributing once they are eligible to withdraw their savings if they wish. You should stop making deductions only if the employee elects to stop making contributions.

We may write to you asking you to start making deductions from an employee's pay, eg, after they join by contracting direct with a scheme provider, or when a contributions holiday expires.

Forwarding member contributions

Forward member contributions to us along with your PAYE payments using the *Employer monthly schedule (IR 348)* and *Employer deductions (IR 345)* forms. These include fields for member and employer contributions and every field must be completed. You can file these online if you're registered for our ir-File service.

Additional contributions

If an employee wants to contribute more than 8%, the additional contributions should not be made through the PAYE system, but paid direct to Inland Revenue or to the scheme provider.

Don't pay member or employer contributions to a complying fund to Inland Revenue. These should be made direct to the provider.

Scheme providers may offer other services for members (eg, group life insurance). Pay the scheme provider direct for these services.

Inland Revenue payments to scheme providers

Inland Revenue is required to pass on member contributions received – or which should be received from an employer – to the employee's scheme provider. We'll make the payment regardless of whether or not we have received the contributions. If we do not receive the contributions, we'll seek to recover the arrears from you in the same way we would recover unpaid PAYE tax debts.

Employer contributions

3

What's important

- You're required to contribute 2% of your employees' gross salary or wages to their KiwiSaver schemes and complying funds from their first full pay after 1 April 2009. This 2% is in addition to their gross salary or wages.
- Your contributions to existing superannuation schemes reduce the amount of compulsory employer contribution you're required to pay, if they meet certain conditions (see page 16).
- Employer cash contributions to KiwiSaver and complying superannuation funds are liable for ESCT (employer superannuation contribution tax).
- KiwiSaver employer contributions are paid to Inland Revenue through the PAYE system. You pay complying fund contributions direct to the scheme.
- If you don't make compulsory employer contributions you may have penalties imposed.

You're required to contribute to your employees' savings in KiwiSaver schemes and complying superannuation funds.

Compulsory employer contributions will be backdated effective from the date:

- the employee should have been automatically enrolled, or
- the employee's contributions holiday expired, or
- the employee turned age 18, and
- deductions and compulsory employer contributions should have occurred.

Eligibility

You need to make contributions if your employee:

- is having KiwiSaver or complying fund member contributions deducted from their salary or wages
- is aged 18 and over
- hasn't reached the age of eligibility for New Zealand Superannuation (currently 65), or hasn't been a member of a KiwiSaver scheme or complying fund for five years, whichever date is later
- isn't a defined benefit scheme member (see Glossary for definition).

Contribution rates

The compulsory employer contribution is 2% in addition to your employee's gross salary or wage. In most cases, there'll be different definitions of gross salary and wages for contributions to KiwiSaver schemes and complying funds – see page 12.

Starting and stopping contributions

For new employees, you start paying contributions from their first pay. For existing employees, you pay contributions from their first pay after Inland Revenue or the employee notifies you that they have joined a KiwiSaver scheme or a complying fund.

You can stop contributions if the employee elects to take a contributions holiday (see page 22), opts out (new employees only – see page 21) or when Inland Revenue advises you to stop making contributions.

Calculating contributions

Use this formula if you're not currently contributing to your employee's superannuation:

Payment of gross salary or wages x compulsory rate = minimum employer contribution

e.g.

Example:

An employee earns $2,600.00 a month and belongs to a KiwiSaver scheme. From the first whole pay period after 1 April 2009, the compulsory employer contribution will be:

$2,600 × 2% = $52

You only need to pay the compulsory employer contribution if your employee is also contributing to a KiwiSaver scheme or a complying fund through their salary or wages.

Read the section on page 16 about contributions to existing schemes if you already subsidise your employees' superannuation savings.

Employer contributions and tax

All employer cash contributions to KiwiSaver and complying superannuation funds are liable for ESCT.

Note:

Prior to 1 April 2012, employer superannuation contributions paid into a KiwiSaver scheme or a complying fund were exempt from ESCT as long as it was no more than the compulsory contribution rate under the KiwiSaver Act 2006, which is currently 2% of the employee's gross salary or wage. ESCT was payable on the employer's contribution over the exempt amount. To read more about the ESCT exemption, go to **www.ird.govt.nz/kiwisaver**

ESCT must be paid to us along with PAYE deductions on the *Employer deductions (IR 345)* form.

ESCT isn't included on the *Employer monthly schedule (IR 348)*. The amount shown as total KiwiSaver employer contributions on the EMS is the net amount, ie, the gross employer contribution less ESCT.

To read more about ESCT, go to **www.ird.govt.nz** and follow the links 'Businesses & employers/Employer responsibilities/ Payroll/Deductions from salaries and wages/Superannuation fund contributions' or read our *Employer's guide (IR 335)*.

Forwarding contributions

KiwiSaver contributions

As with employee KiwiSaver deductions, you pay KiwiSaver employer contributions to Inland Revenue through the PAYE system. Contributions need to be accompanied by an *Employer deductions (IR 345)* form.

In addition, the *Employer monthly schedule (IR 348)* includes a field for KiwiSaver employer contributions. Return compulsory and voluntary contributions as a single total. Inland Revenue will split contributions into compulsory and voluntary amounts when we receive the IR 348.

You can file these online if you're registered for our ir-File service. We hold employer contributions until payment is cleared by your bank and then pass them on to the provider.

If a new employee opts out of KiwiSaver, we'll refund any employer contributions to you.

Other contributions

Pay contributions other than retirement benefits (eg, life insurance premiums) straight to the scheme provider.

Complying fund contributions

Pay complying fund contributions direct to the scheme provider. Don't pay these through Inland Revenue.

Contributions to existing schemes

Any employer contributions you make to existing superannuation schemes reduce the amount of compulsory employer contribution you're required to pay as long as:

- the amounts are paid to a scheme registered before 17 May 2007, and
- you provided eligible employees with access to that scheme before 17 May 2007, and
- the employee was employed by you before 1 April 2008 and you made, or agreed to make with the employee before 1 April 2008, contributions to the existing superannuation scheme, or
- the employee was employed under a collective agreement in force before 17 May 2007 that expired after 1 April 2008 under which you're required to contribute to the existing superannuation scheme, and
- your employer contributions to that scheme vest completely in the employee within five years of the employee becoming a member of that scheme,[2] and
- contributions are employer's superannuation contributions.

Contributions to a registered superannuation scheme that meet these requirements are known as 'other contributions'. This includes employer contributions or subsidies for MPs, judicial officers and sworn police. They count towards the compulsory employer contributions even if the scheme doesn't have similar lock-in rules to complying funds or KiwiSaver schemes.

2 Please see our website **www.ird.govt.nz** for additional information about the vesting of employer contributions.

Calculating deductions

Here's the formula to use if you are currently making employer contributions to a registered superannuation scheme:[3]

> (payment of gross salary or wages x compulsory rate) – other contributions – hybrid schemes amount = minimum compulsory employer contribution

'Hybrid schemes amount' is calculated by multiplying the member's contribution by the vesting percentage, where:

- the member's contribution is the amount of the employee's contribution for the period to which the payment of gross salary or wages relate, and
- vesting percentage is the percentage of the employee's total contributions to be added to those contributions five years after the employee first becomes a member of the registered superannuation scheme.

Check with your existing scheme to see if your contributions are hybrid schemes amounts.

3 This information doesn't apply to contributions to defined benefit schemes. Please see our website **www.ird.govt.nz** for information on compulsory employer contributions if you currently contribute on behalf of your employees to a defined benefit scheme.

General administration

4

What's important

Opt-outs and contributions holidays

- If a new employee you have automatically enrolled gives you a *New employee opt-out request (KS 10)* form, you need to send it to Inland Revenue after they've been employed for two weeks and up to eight weeks (ie, on or after day 14 and on or before day 56 of starting employment). You can then:
  - stop deducting member contributions and making compulsory employer contributions from their next pay and refund any contributions you hold
  - send us the opt-out form and the *KiwiSaver employee details (KS 1)* form if you haven't already. This is so we're aware that the new employee was automatically enrolled and has opted out. You can file these forms online if you're registered for our ir-File service.
- If an employee gives you an opt-out form after this timeframe, send it and the *KiwiSaver employee details (KS 1)* form direct to us and continue to deduct member contributions and to make compulsory employer contributions until we advise you otherwise.
- Employees can also opt out online at **www.kiwisaver.govt.nz** or by sending us a *New employee opt-out request (KS 10)* form. We'll then let you know so you can stop contributions.
- KiwiSaver members can take a break from saving after they have been a member for 12 months. This is called a contributions holiday. We'll also let you know when to stop and when to restart contributions if an employee takes a contributions holiday (see page 22).

General

- You need to keep a record of employees who are KiwiSaver members, their contribution rate, the amounts you've deducted, employer contributions you've made and any notification of contributions holidays or opt outs.
- Penalties may apply if you don't comply with KiwiSaver processes (see page 26).

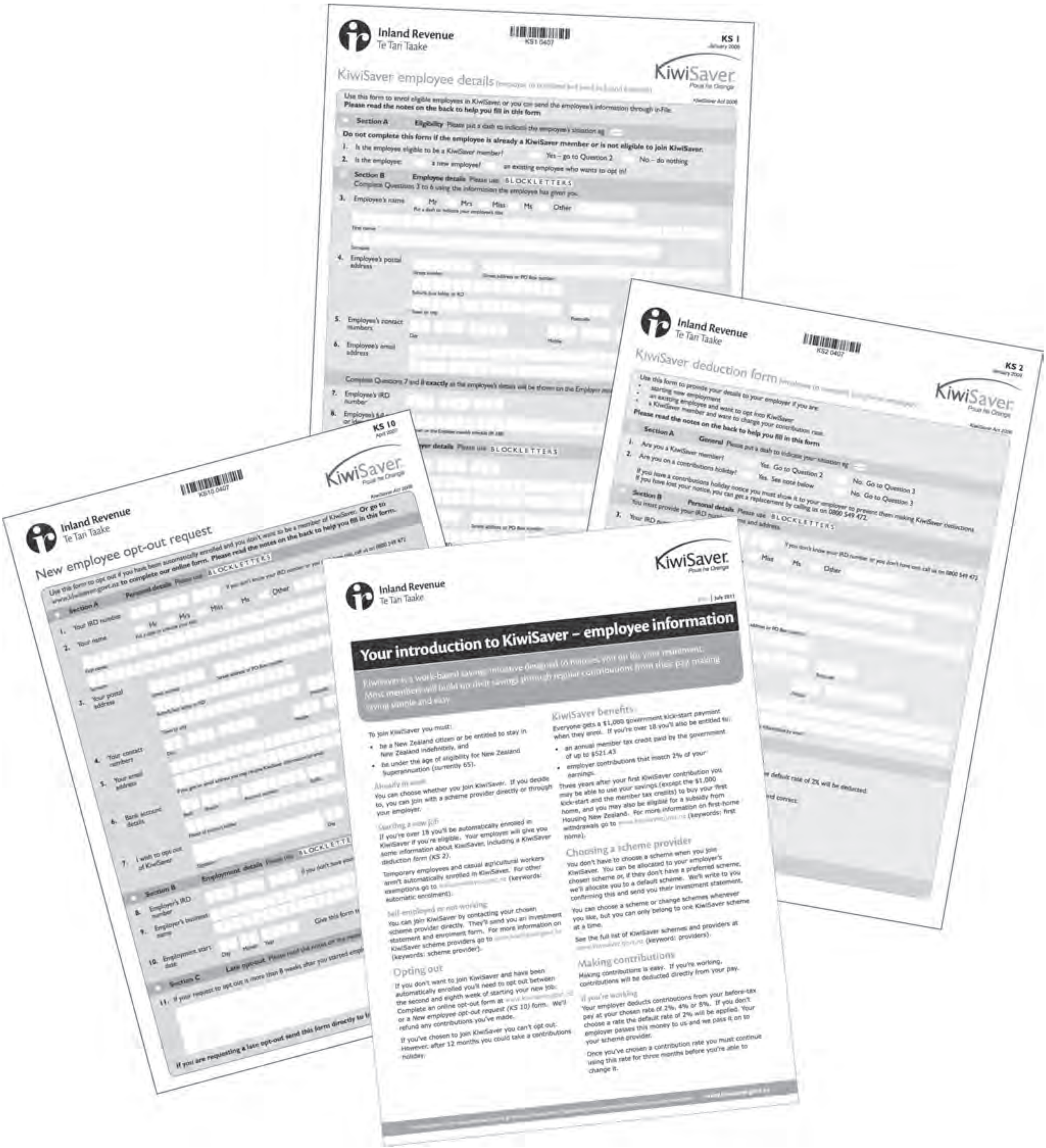
Forms and employee information packs

The *KiwiSaver employee details (KS 1)* form is shown below. Use it to let us know the details of employees who join KiwiSaver. You can also supply this information online if you're registered for our ir-File service.

You must give a KiwiSaver information pack to all new employees who are eligible to be automatically enrolled and to existing employees who opt in or ask for one. It includes two forms:

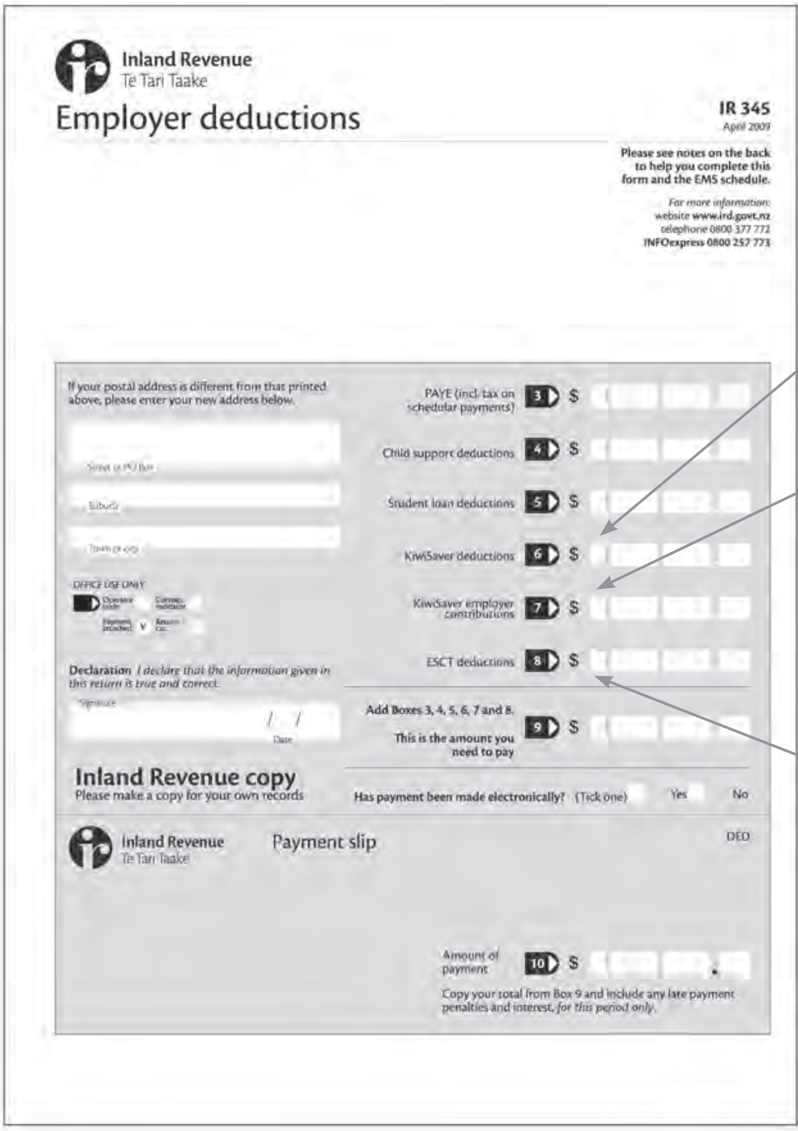
- the *KiwiSaver deduction form (KS 2)*, which an employee can use to let you know their full name, address and IRD number and whether they want member contributions deducted at 2%, 4% or 8%
- the *New employee opt-out request (KS 10)* form, which automatically enrolled new employees can use to opt out of KiwiSaver.

See page 30 for information on ordering forms and KiwiSaver information packs.



Completing the *Employer deductions (IR 345)* form

You use the *IR 345* form to record and pay the deductions you make from your employees' pay.
This includes KiwiSaver member and employer contributions. Please send us the entire form so your payments are allocated correctly.


Inland Revenue
Te Tari Taake

Employer deductions

IR 345
April 2009

Please see notes on the back to help you complete this form and the EMS schedule.

For more information:
website www.ird.govt.nz
telephone 0800 377 772
INFOexpress 0800 257 773

If your postal address is different from that printed above, please enter your new address below.

Street or PO Box
Suburb
Town or city

OFFICE USE ONLY

PAYE (incl. tax on schedular payments)	3	$
Child support deductions	4	$
Student loan deductions	5	$
KiwiSaver deductions	6	$
KiwiSaver employer contributions	7	$
ESCT deductions	8	$
Add Boxes 3, 4, 5, 6, 7 and 8. This is the amount you need to pay	9	$

Declaration *I declare that the information given in this return is true and correct.*

Signature / / Date

Inland Revenue copy
Please make a copy for your own records

Has payment been made electronically? (Tick one) Yes No

Inland Revenue
Te Tari Taake

Payment slip

DED

Amount of payment 10 $

Copy your total from Box 9 and include any late payment penalties and interest, *for this period only.*

Enter the total amount of member contributions to KiwiSaver that you have deducted from employees' salary and wages during the month.

Enter the total amount of employer contributions to KiwiSaver that you have made during the month. This includes voluntary employer contributions and compulsory employer contributions.

Enter the ESCT deducted from employer contributions. Remember, employer contributions to KiwiSaver are liable for ESCT (see page 15).

Submitting the IR 345 form

The entire form must be completed and then sent to us so your payments are allocated correctly.

If you file this form electronically through ir-File please do not send us a paper copy as well.

Please make a copy for your records and send the original form to us.

Requests to opt out

Here's what to do if a new employee who's subject to automatic enrolment gives you a *New employee opt-out request (KS 10)* form:

- Make sure they're within the two to eight week opt-out period (ie, on or after day 14 and on or before day 56 of starting employment).
- Stop deducting member contributions and making compulsory employer contributions from their next pay.
- Refund any member contributions you've made but not yet sent to us, or you can send them with your PAYE payment and we'll refund the employee direct. If you refund the member's contributions direct, they'll benefit by receiving the refund immediately.
- Send both the opt-out and the *New employee details (KS 1)* forms to us so we're aware that the new employee was automatically enrolled and has opted out. Please send us these details no later than the date your next employer monthly schedule is due. You can file these forms online if you're registered for our ir-File service.

We will refund to you the employer contributions you've made. The refund will be paid with interest.

e.g.

Requests to opt out – Example one

On 1 April 2011, Mike starts work with you, and the automatic enrolment rules apply. On 15 May 2011, Mike opts out of KiwiSaver by giving you an opt-out form. You must stop deducting member contributions from the next pay calculated after receiving his opt-out form. As you're still holding his deductions, you can refund him direct. In this situation, you don't need to make compulsory employer contributions. You must provide a *New employee details (KS 1)* form and the opt-out notice to us so we're aware that Mike was automatically enrolled and has opted out. You can supply this information online if you're registered for our ir-File service.

e.g.

Requests to opt out – Example two

On 9 October 2010, Tracey starts work with you, and the automatic enrolment rules apply. Tracey wants to opt out that day. However, the earliest she can opt out is in two weeks' time on 22 October 2010. You must make KiwiSaver deductions and employer contributions until 22 October 2010 even if Tracey gives you an opt-out request before this date. From 22 October 2010, you can refund the member deductions direct to Tracey or pay them to us with your next employer monthly schedule, and we'll refund them to Tracey. We'll refund to you the employer contributions you've made. If you refund Tracey's contributions direct to her, she'll get the benefit of an immediate refund.

e.g.

Requests to opt out – Example three

Carol works part-time and gets a second part-time job with you. She was automatically enrolled in KiwiSaver for her first job, but isn't a member because she opted out. She's automatically enrolled again for the second job. She must opt out again for the second job if she doesn't want to be a KiwiSaver member. From day 14 of her employment, Carol can opt out of KiwiSaver for her job with you. You can refund the member deductions direct to Carol or pay them to us with your next employer monthly schedule and we refund them direct to Carol. If you refund Carol's contributions direct to her, she'll get the benefit of an immediate refund.

e.g.

Requests to opt out – Example four

Mere starts work with you on 5 December 2010, and the automatic enrolment rules apply. On 3 February 2011, Mere gives you an opt-out form. Mere's opt-out period begins on 18 December 2010 and ends on 29 January 2011. Because her opt-out form is late, she must give her reasons for opting out late, and you must send the form direct to Inland Revenue. You must continue to deduct member contributions and make compulsory employer contributions unless you receive a letter from us advising otherwise. We'll refund Mere's contributions to her and refund your compulsory employer contributions to you if we accept the opt-out.

Contributions holidays

KiwiSaver members can take a break from saving 12 months after they made their first contribution to Inland Revenue or their scheme provider. This is called a contributions holiday. It can be for a minimum of three months, up to a maximum of five years. There's no limit to the number of contributions holidays a member can take.

An employee transferring from a complying fund to a KiwiSaver scheme can apply for a contributions holiday 12 months after the date they first joined the complying fund.

To request a contributions holiday, an employee completes a *Contributions holiday request (KS 6)* form and sends it to Inland Revenue. If we approve the request, we'll ask you to stop making deductions for that employee. You can also stop deducting member contributions and making employer contributions if the employee shows you a valid contributions holiday notice from Inland Revenue.

Once on a contributions holiday, an employee can change their mind and give you notice to restart their deductions before the contributions holiday ends. Any notice you receive takes effect from the next payment of salary or wages you calculate for the employee.

An employee cannot, however, ask you to start and stop deductions too often. The minimum period before requesting a change, unless you agree otherwise, is three months. If your new employee is on a contributions holiday but can't show you a valid contributions holiday notice, you still need to deduct contributions from their salary or wages and make employer contributions.

As soon as your new employee shows or gives you a current contributions holiday notice, you may refund any contributions you've deducted that you haven't passed to Inland Revenue. Where you've passed the contributions on to Inland Revenue, the employee should contact us to request their refund.

We'll write again asking you to restart contributions when the contributions holiday finishes.

You aren't required to pay compulsory employer contributions if an employee is taking a contributions holiday. If you choose, you can continue to make employer contributions. Any contributions you make to employees on a contributions holiday are voluntary and will be liable for ESCT (see page 15).

e.g.

Contributions holidays – Example one

Joyce has been a KiwiSaver member for two years and works for two employers. She applies to Inland Revenue for a contributions holiday. She wants the holiday to apply to both her employers, and she wants to take a contributions holiday for one year. Inland Revenue accepts Joyce's application and gives notice to you and her other employer to stop deducting member contributions from her wages. At this stage, you can also stop making compulsory employer contributions. Three months later, Joyce decides that she wants to restart member contributions from the wages she receives from her job with you. She gives you notice to restart deducting member contributions from her wages, and you do this. You must also restart compulsory employer contributions. Close to the expiry of her one-year contributions holiday, Inland Revenue writes to Joyce stating that the contributions holiday is about to end. Joyce doesn't apply for another contributions holiday and Inland Revenue writes to both employers stating that contributions from both employee and employer must restart.

e.g.

Contributions holidays – Example two

Hiroshi is taking a contributions holiday and starts new employment with you. He's lost his contributions holiday notice so you begin deducting member contributions and making compulsory employer contributions from his first pay. He's had $300 deducted from his salary before he finds the notice from Inland Revenue granting the contributions holiday. Hiroshi shows you his notice, and you stop contributions. Because you have already paid the contributions to Inland Revenue, Hiroshi applies to Inland Revenue for a refund. We refund your employer contributions.

Financial hardship contributions holiday

A member can apply for a financial hardship contributions holiday during the first 12 months of Inland Revenue receiving a contribution if they are suffering from or likely to suffer from financial hardship. You can stop making compulsory employer contributions if you're shown a contributions holiday notice.

Deductions from accident compensation payments

If you take part in ACC's partnership programme, or have an ACC employer reimbursement agreement where you pay your employee's ACC payments, your employee's KiwiSaver member contributions must continue to be made. Should the employee wish to stop their member contributions due to a change in circumstances resulting from their accident, the employee must apply to Inland Revenue for a contributions holiday.

You aren't required to pay employer contributions, but you can continue to make employer contributions on a voluntary basis if you wish, both when your employee is receiving ACC weekly compensation payments and while they're on a contributions holiday, provided that your employee is also contributing while they're on weekly compensation.

You'll find more information about this at **www.ird.govt.nz/kiwisaver**

Parental leave payments

Member contributions and compulsory employer contributions don't need to be made if the employee is receiving parental leave payments from Inland Revenue. If you continue to pay your employee a salary or wage, keep deducting member contributions and making compulsory employer contributions unless they take a contributions holiday.

Contributions made in error

Please let us know if you make an error in deducting member contributions or making compulsory employer contributions. If necessary, we'll refund any contributions made in error.

You can amend KiwiSaver information in the same way you make employer monthly schedule (EMS) amendments, by completing an *Employer monthly schedule amendment (IR 344)* form. If you have a small number of amendments, call us on 0800 377 772, and we'll update them over the phone.

Amendments to KiwiSaver information and resulting refunds will take longer to process if we have to request the refund from the member's scheme provider.

e.g.

Contributions made in error – Example one

Shayne is a member of KiwiSaver. You accidentally deduct member contributions of 8% of his wages when Shayne was on a member contribution rate of 4%. $200 has been deducted from his wages. To date this hasn't yet been paid by Inland Revenue to the KiwiSaver scheme provider. Shayne contacts Inland Revenue and is refunded his $100.

Payroll subsidy

There is a subsidy available to help cover your administration costs. The payroll subsidy is set at $2 per employee per payday. It's payable to listed payroll intermediaries that carry out PAYE and related payroll functions for employers with up to five employees.

You'll need to check with your payroll intermediary to see if they're registered with Inland Revenue to receive the subsidy.

Record keeping

You need to record which employees are KiwiSaver members, their contribution rate, and any notification of contributions holidays or opt-outs. Your PAYE records should show the member and employer contributions you've deducted and passed on to us.

Employee payslips should show member contributions and compulsory employer contributions.

You must keep records for seven years after the person leaves employment.

In particular, employers must keep information about the total employer contributions made and gaps in employees' employment.

Obligations and compliance

Your obligations

- Determine whether any new employees or existing employees who wish to have KiwiSaver deductions made from their salary or wages are eligible to be KiwiSaver members, eg, ensure they are aged 18 or over and under 65 and a New Zealand resident (see page 4).
- Automatically enrol all new employees, unless you are an exempt employer or the employee is not eligible for KiwiSaver, or is in a category of employment where automatic enrolment does not apply (see pages 4–6).

- Provide a KiwiSaver information pack to:
  - a new employee who's eligible for automatic enrolment within seven days of starting employment with you
  - an existing employee within seven days of opting in
  - an existing employee who requests one.
- Provide an IRD number, name and address to Inland Revenue for each new employee who's eligible for automatic enrolment and each employee who opts into KiwiSaver. Please send us these details before your EMS if possible, so that an account can be set up for the member's contributions before the EMS is received. You must provide this information no later than the date you're required to file your next EMS. You are only required to provide the information that the employee gives you.
- If you have an employer-chosen KiwiSaver scheme give the new employees the investment statement for that scheme and advise they'll be allocated to this scheme unless they choose their own KiwiSaver scheme.
- Deduct member contributions. You're required to make compulsory employer contributions and pay them to Inland Revenue by the due date along with your PAYE payments (see page 14).
- Make deductions and contributions at the correct rate (see page 12).

Compliance

We'll work with you to help you meet your KiwiSaver obligations. Inland Revenue will issue you a reminder if we discover that you aren't meeting your KiwiSaver obligations. We may also send you a warning notice advising that we may charge you a KiwiSaver penalty if you don't meet your obligations in the future.

There are KiwiSaver penalties for:

- failure to provide information – where you do not provide KiwiSaver information to your employees or to Inland Revenue
- failure to enrol a new employee eligible for automatic enrolment.

The penalties are:

- $50 a month for small employers (see page 33)
- $250 a month for large employers (see page 32).

Note:

- You won't be penalised if an employee refuses to supply information or supplies false information to you.
- You won't be penalised for failure to provide a KiwiSaver information pack when required if Inland Revenue does not provide employee information packs to you on time. However, you must notify us that further packs are required immediately after realising you don't have enough.

In addition, standard tax penalties and knowledge offences apply where either a KiwiSaver employee deduction or compulsory employer contribution is not paid to Inland Revenue or is paid late. This is exactly the same as occurs with PAYE deductions – see Inland Revenue's *Employer's guide (IR 335)* – where you're subject to late payment penalties, late filing penalties and use of money interest.

Penalties and interest

Compulsory employer contributions will be subject to late payment penalties and shortfall penalties, including any backdated compulsory employer contributions entitlement, short or unpaid. If an overdue amount isn't paid or an instalment arrangement agreed to, a 10% non-payment penalty (NPP) will be charged.

Each month that an amount remains outstanding, a further 10% NPP will be charged. If, after we've imposed the penalty, you pay in full or enter into an instalment arrangement, the last NPP will reduce to 5%.

Total NPPs imposed are capped at 150% of the unpaid tax per period.

Interest won't be charged on any outstanding compulsory employer contributions.

Interest and/or penalties will not be applied to short or non-payment of voluntary employer contributions.

Right of review

Within 20 working days of Inland Revenue giving you notice of a decision that affects your KiwiSaver obligations, you can ask for it to be reconsidered. You may have to provide further information to Inland Revenue.

Disputes resolution process

Not all decisions discussed in right of review above can be reconsidered under the KiwiSaver review process. Some of these other decisions can be disputed under Inland Revenue's disputes resolution process.

You can find out more about these processes and which one relates to a particular decision at **www.ird.govt.nz/kiwisaver**

Your options as an employer

5

What's important

As an employer, KiwiSaver gives you a number of options to offer in your workplace:

- You can make voluntary contributions to employees' KiwiSaver accounts on top of the required compulsory employer contributions (see page 14).
- You can choose the KiwiSaver scheme for your workplace.
- If you offer access to a registered superannuation scheme that meets certain criteria, you can apply to the Financial Markets Authority to be exempt from having new employees enrolled automatically in KiwiSaver.
- If you already offer a superannuation scheme, your options include converting it to a KiwiSaver scheme or complying fund, establishing a KiwiSaver scheme as part of your existing scheme, or continuing to operate independently of KiwiSaver. The $1,000 government kick-start payment, and member tax credits apply if you add a KiwiSaver section to an existing scheme or convert it to a KiwiSaver scheme.
- You can do none of the above.

Employer-chosen schemes

You can nominate a KiwiSaver scheme for your employees to join if they don't choose one of their own. This is called an employer-chosen KiwiSaver scheme. If you don't have an employer-chosen scheme and your employee does not choose a scheme of their own, Inland Revenue will allocate the employee to a default scheme.

Employers who select a KiwiSaver scheme for their employees will not have any financial obligation if the scheme fails.

Here's what you need to do

When you choose a KiwiSaver scheme:

Write to us giving the details of your chosen KiwiSaver scheme after you reach an agreement with the scheme provider and arrange for them to give you a supply of investment statements to distribute to your employees.

When you give your employee a KiwiSaver information pack, you must also give them a:

- copy of the investment statement for your chosen scheme
- statement advising them they will be allocated to that scheme unless they make an active choice and choose their own scheme.

e.g.

Employer-chosen schemes – Example one

Stanley & Sons has chosen the KAB Ltd scheme for its employees. When a new staff member meets the criteria for automatic enrolment, they must be given an employee information pack, an investment statement for the KAB Ltd scheme and a statement that they'll be allocated to that scheme if they don't choose their own one.

You need to let us know if you choose another scheme or decide not to offer a chosen scheme any more.

Existing workplace schemes

KiwiSaver is intended to complement, rather than replace, existing registered superannuation schemes. It creates a number of options for existing registered superannuation schemes, including:

- converting your current scheme into a KiwiSaver scheme
- establishing a KiwiSaver scheme as part of your existing scheme
- continuing to operate independently of KiwiSaver.

Your contributions to existing superannuation schemes reduce the amount of compulsory employer contributions you're required to pay. Contributions to existing superannuation schemes count towards compulsory employer contributions, if they meet certain conditions (see page 16). A registered superannuation scheme may meet the requirements for (and be granted) an exemption from the automatic enrolment rules, but may not be a complying fund. You should consult the superannuation scheme provider which administers the scheme to find out whether a specific scheme is a complying fund.

Find out more

For more information about the options for existing schemes, talk to your scheme trustees, scheme provider or industry advisor, or visit the Financial Markets Authority website **www.fma.govt.nz**

Employer exemption from KiwiSaver automatic enrolment

If you have an existing registered superannuation scheme, you can apply to the Financial Markets Authority for an exemption from having to enrol new employees automatically in KiwiSaver. Employees of an exempt employer can still opt in to KiwiSaver in the same way as other employees. If a new employee is already a KiwiSaver member, you must deduct member contributions from their pay and make compulsory employer contributions. Visit **www.ird.govt.nz** for more information about becoming an exempt employer.

e.g.

Exempt employer – Example one

Widgets Ltd applies to the Financial Markets Authority for approval as an exempt employer because it offers its employees access to a registered superannuation scheme. On 16 July 2011, the Financial Markets Authority approves Widgets Ltd as an exempt employer from that date. On 17 July, Jeff is employed on a permanent, part-time basis. Due to his employer's exemption, Jeff doesn't need to be enrolled automatically in KiwiSaver. If Jeff opted into KiwiSaver or was already a KiwiSaver member when he started employment, Widgets Ltd would have to deduct member contributions from his salary and make compulsory employer contributions.

Additional information

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Ordering additional forms and information packs

You can view copies of the forms and guides by going to **www.ird.govt.nz** and selecting 'Forms and guides' or you can order copies by calling our 0800 self-service number on 0800 257 773.

This is available any time, except between 5 am and 6 am, seven days a week. You'll need a touch tone phone and your IRD number to use this service. It's also helpful if you know the numbers of any forms or guides you're ordering.

You can download *Your introduction toKiwiSaver—employee information (KS 3)* from **www.ird.govt.nz/kiwisaver** or **www.kiwisaver.govt.nz**

Websites

Go to any of these websites for more information:

- **www.fma.govt.nz**
- **www.ird.govt.nz/kiwisaver**
- **www.kiwisaver.govt.nz**
- **www.sorted.org.nz**

Call Inland Revenue

Please call 0800 377 772 if you'd like to talk to someone about your KiwiSaver obligations as an employer, or you can ask to talk to an advisor who can offer free information and advice to new businesses and smaller organisations. Mobile phone users call 04 978 0763, or if calling from overseas 0064 4 978 0779.

Customer service quality monitoring

As part of our commitment to providing the best possible service to our customers, Inland Revenue records all phone calls answered in, and made by, our permanent call centres. For further information about our call recording policy and how you can access your recorded information, please go to **www.ird.govt.nz** or call us on 0800 377 774.

Publications

ir-File – electronic filing for employers (IR 317)

This introduction to electronic filing explains how the ir-File system works, what choices you have, what equipment you need and how to get started. Go to **www.ird.govt.nz/online-services** to register and for more information.

Business Tax Update

Get all your business tax news in one newsletter. Our *Business Tax Update*, available online only, gives you tax updates on payroll, KiwiSaver and other relevant tax issues. Subscribe through the newsletter page at **www.ird.govt.nz/subscribe** and we'll send you an email when each issue is published.

Tax Information Bulletin (TIB)

The TIB is our monthly publication containing detailed technical information about all tax changes. You can find it on **www.ird.govt.nz** under 'Newsletters and bulletins' and subscribe to receive an email when each issue is published.

Glossary

Automatic enrolment	If a new employee is aged 18 or over and under 65, they'll be automatically enrolled in KiwiSaver unless: • they don't meet the criteria • their employer is exempt.
Complying fund	A complying fund is a section within a registered superannuation scheme that has been approved by the Financial Markets Authority as having met certain criteria similar to KiwiSaver (eg, KiwiSaver lock-in rules and portability).
Compulsory employer contribution	The contribution employers are required to make to their employee's savings in KiwiSaver schemes and complying funds. The compulsory employer contribution rate is 2% of your employee's gross salary or wages.
Contributions holiday	A member can apply to Inland Revenue to take a break from making contributions to KiwiSaver. Breaks can be from three months to five years.
Default schemes	If someone joins KiwiSaver without selecting a scheme provider, or if their employer doesn't have a preferred scheme, they will be allocated to a default scheme provided by: • AMP • AXA • Mercer • ASB • OnePath • TOWER
Defined contribution scheme	A scheme where the benefit is based on contributions plus investment earnings. Most schemes in New Zealand are defined contribution schemes. All KiwiSaver schemes must be one.
Defined benefit scheme	A scheme where the benefit does not relate to the investments of the scheme but is based on a formula that includes such things as a member's length of service and final salary.
ESCT	ESCT is a tax on any monetary contribution to a superannuation fund that is paid by an employer for their employee's benefit. All employer contributions to KiwiSaver and complying superannuation funds are liable for ESCT. Any other employer contributions (including voluntary KiwiSaver contributions) are subject to ESCT.
Employer-chosen scheme	An employer can choose the scheme their employee will become a member of if their employee does not select their own scheme when they join KiwiSaver.
Exempt employer	An employer can apply to the Financial Markets Authority to be an exempt employer if they provide access to a Financial Markets Authority approved superannuation scheme. If the employer has received an exemption, they won't have to automatically enrol new employees into KiwiSaver.
Financial advisor	A financial advisor provides advice to assist financial planning and decisions. This doesn't include an employer who only gives their employees information about KiwiSaver or selects an employer-chosen scheme.
Financial hardship contributions holiday	If a member is suffering or likely to suffer from financial hardship during the first 12 months of Inland Revenue receiving a contribution, they may be granted a financial hardship contributions holiday.

Financial Markets Authority	The Financial Markets Authority: • is responsible for registering and regulating KiwiSaver schemes • supervises the management of registered KiwiSaver schemes and other superannuation schemes • monitors and encourages compliance with the Superannuation Schemes Act 1989 and the KiwiSaver Act 2006.
Gross salary or wages	For contributions to KiwiSaver schemes, gross salary or wages generally means salary, wages or allowances including: • bonuses • commission • extra salary • gratuity • overtime pay • other remuneration of any kind but excludes: • redundancy payments • the value of providing board or lodging, or use of a house or quarters, or the payment of an allowance instead of the provision of this benefit • the value of overseas accommodation and cost of living allowance. For contributions to complying funds, gross salary or wages has the same meaning as for a KiwiSaver scheme, but excludes bonuses, commissions and other amounts that are not included in the employee's gross base salary or wages by the relevant complying fund.
KiwiSaver information pack	Inland Revenue provides a KiwiSaver information pack for employers to give to all new employees or for those existing employees who are considering opting in or who ask for one. It includes our factsheet *Your introduction to KiwiSaver—employee information (KS 3)*, *KiwiSaver deduction form* (KS 2) and the *New employee opt-out request (KS 10)* form.
KiwiSaver member	Someone who joins a KiwiSaver scheme and is entitled to benefits under the scheme.
KiwiSaver scheme	A registered superannuation scheme that meets prescribed requirements can be registered as a KiwiSaver scheme with the Financial Markets Authority.
Large employer	Gross annual PAYE and ESCT deductions are more than $500,000 annually.
Member contribution rate	An employee can choose to contribute to their KiwiSaver scheme at the contribution rate of either 2%, 4% or 8% of their gross salary or wages into their KiwiSaver account. If they don't choose a contribution rate, the default rate is 2%.
Member tax credit	KiwiSaver members and complying fund members, if eligible, will receive a tax credit of up to $521.43 a year (equivalent to $10 a week).
New employment	This is any new job you start. It doesn't apply to someone who: • stays on the same payroll, eg, an employee is transferred between branches or divisions of related companies • is an employee of an amalgamating company • is an employee of a partnership that has been dissolved and reconstituted • is employed by a business purchased as a going concern • is an employee who returns to their employer after a period of secondment.

New Zealand Superannuation	The state-funded pension paid to eligible New Zealand residents currently from age 65.
Non-employee	Someone who does not work for salary or wages, such as a self-employed person or a contractor/schedular payment earner. Non-employees may still be eligible to join KiwiSaver.
Opt in	Where an employee or other eligible person who is not currently automatically enrolled decides to join a KiwiSaver scheme.
Opt out	A new employee who is automatically enrolled can choose not to become a KiwiSaver member when they start new employment. This choice must be made during the opt-out period.
Opt-out period	The period in which a person who is automatically enrolled may choose to opt out of KiwiSaver. This is from two weeks and up to eight weeks of the person starting employment (ie, on or after day 14 and on or before day 56).
Commission for Financial Literacy and Retirement Income	A government-funded body set up to help New Zealanders prepare financially for their retirement.
Scheme provider	A superannuation provider registered by the Financial Markets Authority for KiwiSaver.
Small employer	Gross annual PAYE and ESCT deductions are less than $500,000 annually.
Temporary employment	Employment is temporary if: • the employment is as a casual agricultural worker, or • the employment is under a contract of service that is for a period of 28 continuous days or less, or • the employment is described in section 28 (1) (a) (ii) of the Holidays Act 2003.
Vest/vesting	It means 'keep' in this context. For example, an employer may choose the length of time a member needs to work for them before they can keep all their employer's contributions. Some employers may use a sliding scale, eg, 1 year = 10%, 5 years = 50%, 10 years = 100%; others may let the contributions 'vest' immediately. Compulsory employer contributions must vest in the employee immediately.
Voluntary employer contribution	An additional contribution to an employee's superannuation scheme made by an employer over and above the compulsory employer contribution.

Quick reference guide

Answering employees' questions

The Commission for Financial Literacy & Retirement Income is an excellent source of information for employees.

The Commission's role is to help New Zealanders prepare financially for retirement through education, information and promotion. It offers free, independent and impartial resources through the Sorted website at **www.sorted.org.nz**

A range of Sorted resources are available, so you can help your employees make decisions about KiwiSaver and increase their financial knowledge in the process.

Go to **www.sorted.org.nz** to order or download:

- Sorted KiwiSaver decision-making resources, available in various formats:
  - online, including the KiwiSaver account and KiwiSaver fees calculators to help make an informed KiwiSaver decision
  - free booklets including KiwiSaver – Is it right for you?
  - KiwiSaver seminars on the basics and decision-making (including comprehensive facilitators' guides), designed for all literacy levels
- Sort Me – an online personal financial check-up, which employees can use to assess their financial situation by answering simple multi-choice questions. It's a good idea for your staff to complete Sort Me when considering whether KiwiSaver is right for them
- Calculators and general information on a range of financial topics including debt management, saving and investments.

sorted.org.nz
YOUR INDEPENDENT MONEY GUIDE

Disclaimer

The information contained in this guide is for general information only. It should not be used as a substitute for financial, legal, business, accounting, tax or other professional advice.

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