KiwiSaver

Frequently asked questions

Version: June 2007

What is **KiwiSaver?**

KiwiSaver was announced in the 2005 Budget as part of a Government initiative designed to increase the level of savings by New Zealand households to support them in retirement.

KiwiSaver is a voluntary, work-based savings scheme launching on 1 July 2007.

How does **KiwiSaver work?**

New employees

From 1 July 2007, a person who is over 18 years (but under 65) and starting a new job will be automatically enrolled in KiwiSaver (unless their employer offers another approved savings scheme). There are exceptions – casual and temporary employees employed under a contract of service for 28 continuous days or less, election day workers, private domestic workers, casual agricultural workers employed for less than three months, and people who hold temporary visitor or student permits.

The employer starts making KiwiSaver deductions from the employee's first pay and continues unless the employee opts out of KiwiSaver (specific time period applies).

Existing employees

Other employees can also join KiwiSaver. To have deductions started, they simply sign up with the KiwiSaver scheme provider of their choice or tell their employer that they want to opt-in to KiwiSaver.

The Government provides a one-off kick-start by contributing $1,000 to an employee's KiwiSaver account, and will match their contributions to KiwiSaver through an annual tax credit to their KiwiSaver account of up to $20 per week or approximately $1,040 per annum (conditions apply). The Government will also make a yearly contribution of $40 towards the fees charged by KiwiSaver scheme providers.

Savings are locked-in until the employee reaches the age of eligibility for New Zealand Superannuation (currently 65), or for five years, whichever is later. There are exceptions – for significant financial hardship, serious illness, death, or permanent emigration (terms and conditions apply).

What information **will KiwiSaver members receive?**

KiwiSaver members will receive an initial Investment Statement and information pack as well as ongoing updates from their KiwiSaver provider on how their savings are progressing.

What are the **contribution rates for KiwiSaver?**

Employees can choose a contribution rate of either 4% or 8% of the total gross salary or wages paid to them by the employer (including bonuses, commission and overtime) to KiwiSaver. This will be deducted from an employee's after-tax pay. If no choice is made, the default rate is 4%.

Employees can also make lump sum payments whenever they like, by making a payment directly to Inland Revenue via Westpac.

Will employer contributions count towards the 4% and 8% employee contribution rates?

Yes, currently employer contributions can count towards the 4% or 8% employee contribution rates. For example, an employee might contribute 2% and their employer would contribute the other 2% to make up the minimum 4% rate. From 1 April 2008 new KiwiSaver members will not be able to count employer contributions towards their 4% or 8% and this option will be phased out for existing members. Transitional rules will apply for existing members.

When will KiwiSaver **contributions start being deducted from my pay?**

For employees who are automatically enrolled in KiwiSaver, contributions will be deducted from their first pay after starting their new job and paid to Inland Revenue. The Inland Revenue will then forward the contributions on to the employee's KiwiSaver provider.

For employees who opt-in, contributions will be deducted from their first pay after providing the employer with the Inland Revenue contribution declaration form.

Will Inland Revenue pay interest on contributions held before those contributions are transferred to the KiwiSaver scheme provider?

Yes, Inland Revenue will pay interest on contributions held. To find out more about how this interest is calculated, visit www.kiwisaver.govt.nz.

When and how are contributions refunded when I opt-out?

Inland Revenue will refund any deductions held direct to your bank account when they receive a *New employee opt out request* (KS 10) form. Employers may refund any contributions they hold or forward them to Inland Revenue for Inland Revenue to refund the employee.

How does a **'contributions holiday' work?**

If you've been regularly contributing to KiwiSaver after 12 months, you will be free to apply for a contributions holiday for a minimum of three months up to a maximum of five years at a time. At the end of the five years, contributions will resume unless a further option to cease them is exercised. Inland Revenue will oversee this process. Conditions apply.

Can I take a **contributions holiday in the first 12 months of joining?**

No, a member will not be able to take a contributions holiday during the first 12-month period. The aim of KiwiSaver is to promote long-term savings. If your circumstances change, during the first 12 months you may apply to the Inland Revenue for a financial hardship contribution holiday (terms and conditions apply).

What is **'salary sacrifice'?**

Salary sacrifice is when an employee takes a reduction in salary in return for an employer contribution to a superannuation scheme. As KiwiSaver has no tax on employer contributions to a maximum of 4% of an employee's gross salary or wage (if matched by an employee contribution) this may be a tax effective way of saving.

How will KiwiSaver **schemes be governed?**

KiwiSaver schemes will be governed by trust deeds and regulated similarly to registered superannuation schemes.

Only registered providers will be able to offer KiwiSaver schemes. These providers will need to be registered, meet certain minimum ongoing requirements and disclose information to help people make a choice. There are no guarantees in respect of a KiwiSaver scheme, from any person, including the Government, scheme providers, trustees and fund managers.

How will the **AMP KiwiSaver Scheme be taxed?**

The AMP KiwiSaver Scheme intends to be a Portfolio Investment Entity (PIE) and will therefore be subject to the PIE tax rules. For more information on PIE talk to your Adviser or visit www.amp.co.nz.

What if I have **more than one job**?

If you have more than one job when you join KiwiSaver you can choose which job you'll contribute from. This could be one or more of your jobs. You'll have to contribute from any new jobs you start unless you opt out or take a contributions holiday. However you can only be a member of one KiwiSaver scheme.

After 12 months of contributing, to ensure you have the flexibility to only contribute from the jobs you want to, you can take a contributions holiday and apply it to any or all of your jobs (terms and conditions apply).

What payments count as salary or wages?

Any salary, wages, allowances, bonuses, commission, extra salary, gratuities, overtime pay or other remuneration relating to a person's employment. For details, see *Inland Revenue's Employer's guide* (IR 335).

What if **I lose my job?**

If you contribute to KiwiSaver through your salary or wages and lose your job or are out of the workforce for any reason, your contributions will stop unless you make arrangements to keep them going.

If you aren't a salary or wage earner when you join KiwiSaver, e.g. if you are self-employed, the contract with your scheme provider will tell you whether you need to continue your contributions if you stop working or become sick.

What if I go **on parental leave?**

If your employer continues to pay you when you receive paid parental leave from the Government, your KiwiSaver contributions will continue to be deducted from your pay. If you want to stop them you can request a contributions holiday.

If you're on paid parental leave and not being paid by your employer, your KiwiSaver deductions will stop automatically. You can choose to keep making contributions by contacting Inland Revenue.

If you return to paid work your contributions will continue to be deducted from your salary or wages as before, unless you take a contributions holiday.

What if I **pay child support?**

Having KiwiSaver contributions deducted from your salary or wages won't impact on any child support payments you're making or receiving.

Will joining KiwiSaver **affect my student loan obligations?**

Whether or not you choose to become a KiwiSaver member, you must still meet your student loan obligations.

Does my **employer have to make contributions?**

Your employer is required to deduct your KiwiSaver contributions from your salary or wages.

Employers may decide to contribute to KiwiSaver from 1 July 2007, however they are not required to contribute to KiwiSaver until 1 April 2008. The Government proposes that from 1 April 2008 your employer will be required to make employer contributions equivalent to 1% of your gross salary or wages increasing by 1% per year until a compulsory employer contribution of 4% is reached on 1 April 2011.

Can I transfer existing savings into my KiwiSaver scheme?

Funds transferred into KiwiSaver have the same limitations on withdrawal as other regular KiwiSaver contributions (i.e. a member's funds are locked in until the age of eligibility, currently age 65). We recommend that you discuss this with your Adviser before making a decision to transfer your existing savings. You may be able to make additional lump sum payments to a KiwiSaver scheme. The existing product or scheme you wish to transfer from may have rules or restrictions on withdrawals and transfers.

Who can join KiwiSaver?

You can join KiwiSaver if you're a New Zealand citizen, or are entitled to live in New Zealand indefinitely. You must also be below the age of eligibility for NZ Superannuation (currently 65).

Does everyone have to join KiwiSaver?

It is not compulsory to join KiwiSaver because it may not suit everyone, for example:

- Those who would be better off repaying debt
- Those who may not wish to save for retirement or are saving for something else
- Those on low incomes and for whom New Zealand Superannuation may provide an adequate income in retirement.

It is recognised that each individual's circumstances will be different. KiwiSaver is another option for New Zealanders to increase their own wellbeing and financial independence, in retirement.

How do I join KiwiSaver?

Employers are required to include KiwiSaver enrolment as part of their employment process. Employees starting a new job who meet the eligibility criteria for automatic enrolment[1] will be automatically enrolled in KiwiSaver, with the ability to opt-out (specific time period applies).

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1. *Exceptions from KiwiSaver automatic enrolment criteria include: casual and temporary employees employed under a contract of service for 28 continuous days or less, election day workers, private domestic workers, casual agricultural workers employed for less than three months, and people who hold temporary visitor or student permits.*

Automatic enrolment will apply to all new permanent employees aged between 18 and the age of eligibility for New Zealand Superannuation (currently 65) who begin a new job with a separate payroll (it will not apply to an employee who gets a promotion with their current employer).

Other employees can also join KiwiSaver. To have deductions started, they simply sign up with the KiwiSaver scheme provider of their choice or tell their employer they want to opt-in to KiwiSaver.

People who are not currently working, beneficiaries, people under the age of 18 and the self-employed can join KiwiSaver by choosing a scheme provider and applying directly.

What sorts of choices will I have with KiwiSaver?

KiwiSaver members will be able to:

- Choose their KiwiSaver provider, KiwiSaver scheme, and the funds they want to invest in from that KiwiSaver scheme, such as funds with a conservative, balanced, or growth investment profile
- Choose a contribution rate of either 4% (default rate if no choice is made) or 8% of their total gross salary or wages (including bonuses, commission, allowances and overtime) deducted from their after tax pay
- Transfer between KiwiSaver schemes at any time (fees may apply)
- Members allocated to a default provider will automatically be put in that provider’s default fund
- Cease contributions by applying to Inland Revenue for a contributions holiday after a minimum contribution period of 12 months (terms and conditions apply).

What benefits **does the Government provide?**

The Government provides a one-off kick-start by contributing $1,000 to an employee's KiwiSaver account, and will match their contributions to KiwiSaver through an annual tax credit to their KiwiSaver account of up to $20 per week or approximately $1,040 per annum (conditions apply). The Government will also make a yearly contribution of $40 towards the fees charged by scheme providers.

When is the **$1,000 kick-start paid?**

For employees, Inland Revenue makes the $1,000 kick-start payment when their first contributions are sent to the scheme provider, three months after the first contribution is received by Inland Revenue. For everyone else (e.g. self-employed), the kick-start payment is paid three months after the KiwiSaver scheme provider tells Inland Revenue the person is a KiwiSaver member.

How do I claim **my member tax credit?**

Your KiwiSaver scheme provider (or complying superannuation fund provider) will make an annual claim to Inland Revenue on your behalf, based on the information it holds of the contributions you have made. Upon receipt of the member tax credit your provider will credit the amount to your KiwiSaver account (or complying superannuation fund account). Conditions apply.

How does the **fee subsidy work?**

The fee subsidy has been set by the Government at $40 per member per year. It is proposed that this will be paid six-monthly into a member's account, with the first payment made on the date on which the $1,000 KiwiSaver kick-start is paid (that is, three months after Inland Revenue receives the first contribution for a person).

What can I do if my **employer really doesn't want me to join KiwiSaver?**

Your employer is not able to prevent you from joining KiwiSaver if you wish to do so. The Employment Relations Act 2000 requires all employers to act in good faith in employer relationships, which implicitly includes treating employees the same whether they are a KiwiSaver member or not.

What happens **if I don't choose a KiwiSaver scheme?**

The Inland Revenue will allocate new employees to one of the default KiwiSaver schemes and their contributions will be invested into the default investment fund with a conservative investment profile. For more information on 'Default providers' please see page 13.

If your employer has selected a preferred KiwiSaver provider for your workplace, you will be allocated to that provider's scheme unless you choose otherwise.

Can members request to transfer between KiwiSaver schemes?

Yes. A member may transfer between KiwiSaver providers at any time for any reason. Some providers may charge a transfer fee when exiting their scheme.

You can only be a member of one KiwiSaver scheme at a time, so both your existing balance and future contributions must move to the new provider.

What if I already **have an existing superannuation scheme?**

You can still join KiwiSaver if you already save through another superannuation scheme. You can only receive the member tax credit once every year. This means that if you belong to KiwiSaver and another superannuation scheme which has 'complying fund' status, your member tax credit will be divided between them. You should discuss your options with your financial adviser.

Can I join KiwiSaver in addition to my current scheme? If so, can I get the member tax credit and the compulsory employer contributions twice?

You can join KiwiSaver and be a member of another superannuation scheme. However, you can only get the member tax credit once (up to the cap of approximately $1,040) on contributions made to a KiwiSaver scheme or a 'complying' superannuation fund (i.e. a superannuation scheme that has a section with KiwiSaver-like terms and conditions). If your employer is contributing to your current superannuation scheme, then these contributions may count towards the compulsory employer matching contributions, meaning that they may not be required to make matching contributions to your KiwiSaver scheme as well (terms and conditions apply).

What is the KiwiSaver **SSCWT exemption?**

The KiwiSaver SSCWT exemption was introduced to encourage employers to contribute to their employees' savings for retirement.

Under the exemption, employer contributions to KiwiSaver are exempt from SSCWT, subject to a cap – the lesser of the employee's contribution or 4% of the employee's gross salary or wages. For example, if an employee contributes 2% to a KiwiSaver scheme and an employer 3%, there will be no SSCWT on 2% of the employer contribution. The remaining 1% would be subject to SSCWT.

For more information on the SSCWT exemption criteria visit www.kiwisaver.govt.nz.

What is SSCWT?

SSCWT stands for 'specified superannuation contribution withholding tax'. It is a tax on any monetary contribution to a superannuation fund that is paid by the employer for an employee's benefit. Employer contributions made to a superannuation fund are subject to SSCWT. It differs from tax on employee superannuation contributions, which is normally subject to tax at personal marginal tax rates.

How has the **SSCWT exemption been extended?**

The Government has extended this exemption to include employer contributions to other existing registered superannuation schemes, subject to the same cap as the KiwiSaver SSCWT exemption. To qualify for the SSCWT exemption the scheme will need to be pre-approved by the Government Actuary before 1 July 2007, meet a number of criteria and have similar 'lock-in' requirements to KiwiSaver. The SSCWT exemption will then apply from 1 July 2007.

FIRST HOUSING ALLOWANCE AND MORTGAGE DIVERSION

How will KiwiSaver **help first home buyers?**

KiwiSaver offers a one-time withdrawal to assist KiwiSaver members with the purchase of a first home. After three years of membership, KiwiSaver members may be able to withdraw contributions made by them and any vested employer contributions (excluding the $1,000 kick-start contribution and the member tax credit), to assist with the purchase of their first home.

From 2010, KiwiSaver will also offer a first home deposit subsidy of $1,000 for each year of contributions to a KiwiSaver scheme, up to a maximum of $5,000. The subsidy is for first home buyers who intend to live in the house for six months or more. To be eligible KiwiSaver members must have been regularly contributing around 4% for three years and meet certain criteria including a household income (before tax) of less than $100,000 per year (for one or two people), or less than $140,000 per year (for more than two people), and be purchasing a lower-quartile priced home. For further information visit the Housing New Zealand website – www.hnzc.co.nz.

What is mortgage diversion?

Mortgage diversion allows part of a person's KiwiSaver contribution to go towards paying off the mortgage on their home. The rest of the contribution goes into their KiwiSaver account.

How will **mortgage diversion work?**

Mortgage diversion will be available after a KiwiSaver scheme member has made 12 months of contributions, as long as their KiwiSaver scheme offers mortgage diversion as one of its features.

Mortgage diversion is limited to a saver's own residence (e.g. "the family home"). It does not cover secondary properties (investment properties, holiday homes, etc). The diverted amount will be capped at no more than half the standard KiwiSaver contribution (so 2% [i.e. half of 4%] or 4% [i.e. half of 8%]).

I'm already saving through another scheme – do I get the first home deposit subsidy?

The first home deposit subsidy is available to members of KiwiSaver schemes, work-based saving schemes that are exempt from KiwiSaver automatic enrolment rules and complying superannuation funds (providing members meet the eligibility criteria).

WITHDRAWAL

Can I withdraw my savings from KiwiSaver?

If an employee does not opt-out of KiwiSaver after the first eight weeks of employment, their savings are locked-in until the employee reaches the age of eligibility for New Zealand Superannuation (currently 65), or for five years, whichever is later. There are exceptions – early withdrawals may be permitted for significant financial hardship, serious illness, death, or permanent emigration (terms and conditions apply).

During the first 12 months of membership employees may be able to access their funds (excluding the one-off kick-start contribution of $1,000) in the event of significant financial hardship (terms and conditions apply).

Upon reaching the age of entitlement for New Zealand Superannuation, will people be paid their savings in a lump sum or will they be paid out in an annuity?

Upon reaching the age of eligibility for New Zealand Superannuation all members will have the option of withdrawing the funds as a lump sum (although providers may choose to also offer other options, such as an annuity or regular withdrawals).

Can KiwiSaver members **borrow against their savings?**

No. Scheme assets will not be able to be used as security for borrowing.

DEFAULT SCHEME PROVIDERS

What is a **default provider?**

A default provider is a company chosen by the Government to offer a default KiwiSaver scheme to people who don't select their own scheme. The Government has appointed six default providers. (AMP has been selected as one of the six default providers).

How did the **Government choose the default providers?**

An open competitive tender process was undertaken to select the companies to be appointed as default providers, where Ministers were assisted by advice from independent external experts who carried out detailed evaluation of potential providers.

The companies appointed as default providers are required to meet stringent criteria so as to ensure that they are able to offer the kinds of retirement savings options New Zealanders want and need.

What criteria were used?

The default providers have been selected on a number of criteria, including:

- Security and organisational credibility
- Organisational capability
- Proposed design of the provider's KiwiSaver scheme
- Administration capability
- Competitive fee levels
- Investment capacity/capability.

Do employees have to join a KiwiSaver scheme?

No. Employees that are subject to automatic enrolment can stop deductions when they have been employed between two weeks and eight weeks (day 14 to day 56 of starting employment). Terms and conditions apply.

An employee could join a KiwiSaver scheme by one of three ways:

1. They can actively choose a KiwiSaver scheme
2. If they don't choose one, they'll be allocated to their employer's preferred KiwiSaver scheme if the employer has one
3. If the employer doesn't have a KiwiSaver scheme, Inland Revenue will allocate the employee to a default KiwiSaver scheme.

Will all eligible employees **be allocated to the same default provider?**

No, unless the employer has selected a preferred KiwiSaver provider. There are six default providers and employees will be allocated to these in sequence. Employees are free to choose or change their KiwiSaver scheme provider at any time.

How will KiwiSaver **affect employers?**

KiwiSaver has been designed to minimise compliance costs for employers, where possible, by building off existing processes. All employers are required to make KiwiSaver available to new and existing employees by 1 July 2007. Changes proposed in the May 2007 Budget if enacted will require employers to make contributions for their employees who are members of KiwiSaver, from 1 April 2008.

What are employers **required to do?**

From 1 July 2007, employers will need to:

- Make KiwiSaver available to all employees
- Distribute Inland Revenue’s KiwiSaver information pack to new employees who qualify for automatic enrolment within seven days of them starting work – and to existing employees who wish to opt-in
- Send employee names, addresses and IRD numbers to Inland Revenue
- Provide employees with the scheme provider’s Investment Statement if the employer has chosen a preferred KiwiSaver provider for their employees
- Deduct employees’ contributions and forward them to Inland Revenue along with their normal monthly PAYE
- Accept opt-out requests from employees, notify Inland Revenue of such requests and refund any contributions to employees that have not already been sent on to Inland Revenue
- Act on an employee’s contributions holiday request when approved by Inland Revenue.

Do all employers have to offer KiwiSaver in their workplace?

Yes.

What will **employers need to consider?**

Before KiwiSaver is introduced, employers will be able to choose whether or not to:

- Elect a preferred KiwiSaver scheme provider for their employees who do not select their own KiwiSaver scheme provider. If an employer does elect a preferred KiwiSaver scheme provider for their employees, the employer will be required to provide an Investment Statement for that scheme to all new employees and those who opt-in;
- Make voluntary employer contributions to KiwiSaver. Note, from 1 April 2008 the Government has proposed that the employer must match their employee's contributions starting at 1% in 2008 up to 4% by 2011.

What if an employer **already has an alternative registered superannuation scheme?**

An employer with an existing registered superannuation scheme can continue this alongside KiwiSaver or apply to the Government Actuary to be exempt from the automatic enrolment requirements of KiwiSaver if that scheme meets certain criteria. Employees whose employer is exempt from the automatic enrolment provisions will still be able to join KiwiSaver (by opting-in).

Talk to your scheme provider for further advice on what to do.

Do employers have to **offer financial advice to employees?**

No, employers will be provided with KiwiSaver information packs from Inland Revenue to give their employees. These packs outline how the scheme works and how employees can seek further advice, including financial advice.

If an employer is merely acting as a conduit, passing on information about KiwiSaver to their employees, or selecting a preferred KiwiSaver scheme for its employees, the employer will not be liable as an investment adviser or promoter under current investment advisers and securities legislation.

What information can employers provide their employees?

Employers shouldn't give their employees investment advice. The KiwiSaver Act 2006 [section 206] makes it clear employers will not be giving investment advice (for the purposes of the Investment Advisers (Disclosures) Act 1996) if this is limited to:

- supplying an information pack
- supplying an Investment Statement if you have a preferred provider
- giving a factual description of the features of a KiwiSaver scheme, or
- promoting the benefits of retirement saving in general.

Will all eligible employees be allocated to the same default KiwiSaver provider?

No, unless an employer selects a preferred provider. There are six default KiwiSaver providers and employees will be allocated to these in sequence. Employees are free to choose or change their scheme provider at any time.

What happens when someone is **already a KiwiSaver member and they change employer?**

The new employer must start making KiwiSaver deductions from their salary or wages, unless the employee has a valid contributions holiday notice. The employee is required to complete the appropriate KiwiSaver deduction form.

Do contributions continue when **an employee is on parental leave?**

Contributions don't need to be made if the employee is receiving parental leave payments from Inland Revenue, but if you continue to pay your employee a salary or wage, you must keep making KiwiSaver deductions unless the employee takes a contributions holiday.

Can new employees opt-out of KiwiSaver?

Yes, an employee will be able to opt-out by notifying Inland Revenue or their employer from the end of week two, after starting their job, until the end of week eight. This period gives an employee time to consider the decision of whether or not to join KiwiSaver, and to seek financial advice if desired. If an employee decides to opt-out, Inland Revenue will notify their employer and refund any contributions made to that date. If an employee opts out by informing their employer, then it's the responsibility of the employer to inform Inland Revenue.

When and how are contributions refunded when an employee opts out or is granted a 'late opt-out'?

Inland Revenue will refund any deductions held directly into an employee's bank account when they receive their *'New employee opt-out request'* (KS 10) form. Employers may refund any contributions they hold or forward them to Inland Revenue for the Inland Revenue to refund the employee.

Can KiwiSaver employee **information packs be downloaded from the web?**

Yes. Go to www.ird.govt.nz/kiwisaver or www.kiwisaver.govt.nz.

How are KiwiSaver contributions paid to the scheme provider?

Make KiwiSaver deductions to Inland Revenue with your PAYE payments. There will be a new EMS with two extra columns – one for employee deductions and one for any employer contributions. Inland Revenue will on-pay the KiwiSaver contributions to each employee's scheme provider.

Are employer **contributions compulsory?**

There is no requirement for employers to make contributions from the KiwiSaver start date of 1 July 2007. However, it is proposed that from 1 April 2008 employers will be required to match an employee's contributions at an amount equivalent to 1% of their employee's salary or wages, increasing by 1% per year until a compulsory employer contribution of 4% is reached on 1 April 2011.

An employer may contribute more than these amounts, and they don't have to wait until April 2008 to start.

Do compulsory employer contributions have to be made during the opt-out period, or can employers hold these contributions back until the employee decides whether or not to stay in KiwiSaver?

As employee contributions are deducted from their pay during the opt out period, employers will also be required to make contributions during this period. If an employee opts out via an employer then there is no need to on-pay contributions to Inland

Revenue. If contributions have already been on-paid, then Inland Revenue will refund the employer contributions to the employer and the employee contributions direct to the employee. It is important the Inland Revenue are provided with the employee's opt-out request form so they can update their records.

Is the employer contribution to KiwiSaver **deductible to the company?**

The proposed compulsory employer contributions (1% of an employee's gross salary and wages from 1 April 2008, rising to 4% on 1 April 2011) will attract a tax credit, providing the employer contributions are to a KiwiSaver or complying superannuation fund. Employer contributions are deductible to the extent that they don't attract a tax credit. Therefore, employer contributions in excess of the level of the credit are deductible.

If an employee is not contributing to KiwiSaver, is the employer obliged to open an account on their behalf and contribute 1% of their gross earnings moving through to 4% in 2011?

No. An employer only contributes if an employee is contributing to KiwiSaver. No contributions will be required if a new employee opts out, or if an existing employer does not opt-in, or if an existing KiwiSaver member elects to take a contributions holiday.

Will an employer be eligible for the employer tax credit if contributing to a non-KiwiSaver superannuation scheme on behalf of an employee?

It depends. It is proposed that employers will be eligible for the employer tax credit if your contributions are going to a complying superannuation fund[2]. For more details refer to www.kiwisaver.govt.nz.

2. A complying superannuation fund is a section within a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver (e.g. lock in rules and portability).

How, and how often, will the employer tax credit be paid?

Employer tax credits will be paid to employers through the PAYE system. This will ensure that the tax credit will be paid at the same time the employer contribution is made to minimise cashflow impacts and compliance costs for employers. Different employers pay PAYE to Inland Revenue at different frequencies.

Do contributions need to be made via Inland Revenue to get the employer tax credit?

Inland Revenue will be the collection agency for all KiwiSaver contributions that are deducted from an employee's pay, and for all employer contributions. This will enable Inland Revenue to check that the compulsory employer matching contributions are being made.

Employees may be able to make additional contributions directly to scheme providers if the provider allows this. Scheme providers will collect contributions to complying superannuation funds (as is the current practice), but it is proposed that scheme providers will also be responsible for notifying the Government Actuary (where the full amount of the employer matching contributions are not paid to the provider). Employers will receive the tax credit for the contributions that they make to a KiwiSaver scheme or complying superannuation fund. Conditions apply.

Can I join KiwiSaver if I'm self-employed, not working or I'm under the age of 18?

Yes, if you're self-employed, under 18, or not currently employed, you have the option of joining KiwiSaver to help you save for your retirement.

As a KiwiSaver member you'll be entitled to the one-off kick-start of $1,000 and an annual fee subsidy of $40 to contribute towards the fees charged by your scheme provider. And if you make contributions to KiwiSaver and you're aged 18 or over, the Government will match these through an annual tax credit to your KiwiSaver account of up to $20 per week (approximately $1,040 per annum). Conditions apply.

Your savings will be locked-in until you reach the age of eligibility for New Zealand Superannuation (currently 65), or for five years, whichever is later. There are exceptions – for significant financial hardship, serious illness, death, or permanent emigration.

How much will I need to contribute if I'm self-employed, under 18 or not working?

It's up to you, and your KiwiSaver scheme provider, how much and how often you contribute to KiwiSaver. To work out your contribution rate you'll need to talk to your KiwiSaver scheme provider when you join.

Note – contributions made by the self-employed aren't eligible for the SSCWT (specified superannuation contribution withholding tax) exemption. This is because the self-employed do not pay SSCWT.

What if **I'm on a benefit?**

If you start receiving a benefit and have no paid employment, your KiwiSaver deductions will stop automatically. However, you can choose to pay contributions directly to your scheme provider or to Inland Revenue.

If you get paid by an employer while receiving a benefit, KiwiSaver contributions will be deducted from your pay. If you want to stop them you can request a contributions holiday. Conditions apply.

How do I join AMP's KiwiSaver Scheme?

For more information about the AMP KiwiSaver Scheme, or if you wish to join, please request a copy of the Investment Statement by calling us on 0800 267 5494, visiting www.amp.co.nz or speaking with an AMP Adviser.

The information in this document is a summary of KiwiSaver only and is believed to be accurate at the time of printing (June 2007).

Please refer to www.kiwisaver.govt.nz or www.amp.co.nz for more information.

Contact Us

For more information about KiwiSaver,
talk to your AMP Adviser.

You can also contact us by:

calling us on **0800 267 5494**, or

visiting our website at **www.amp.co.nz**

KiwiSaver™
Poua he Oranga

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