

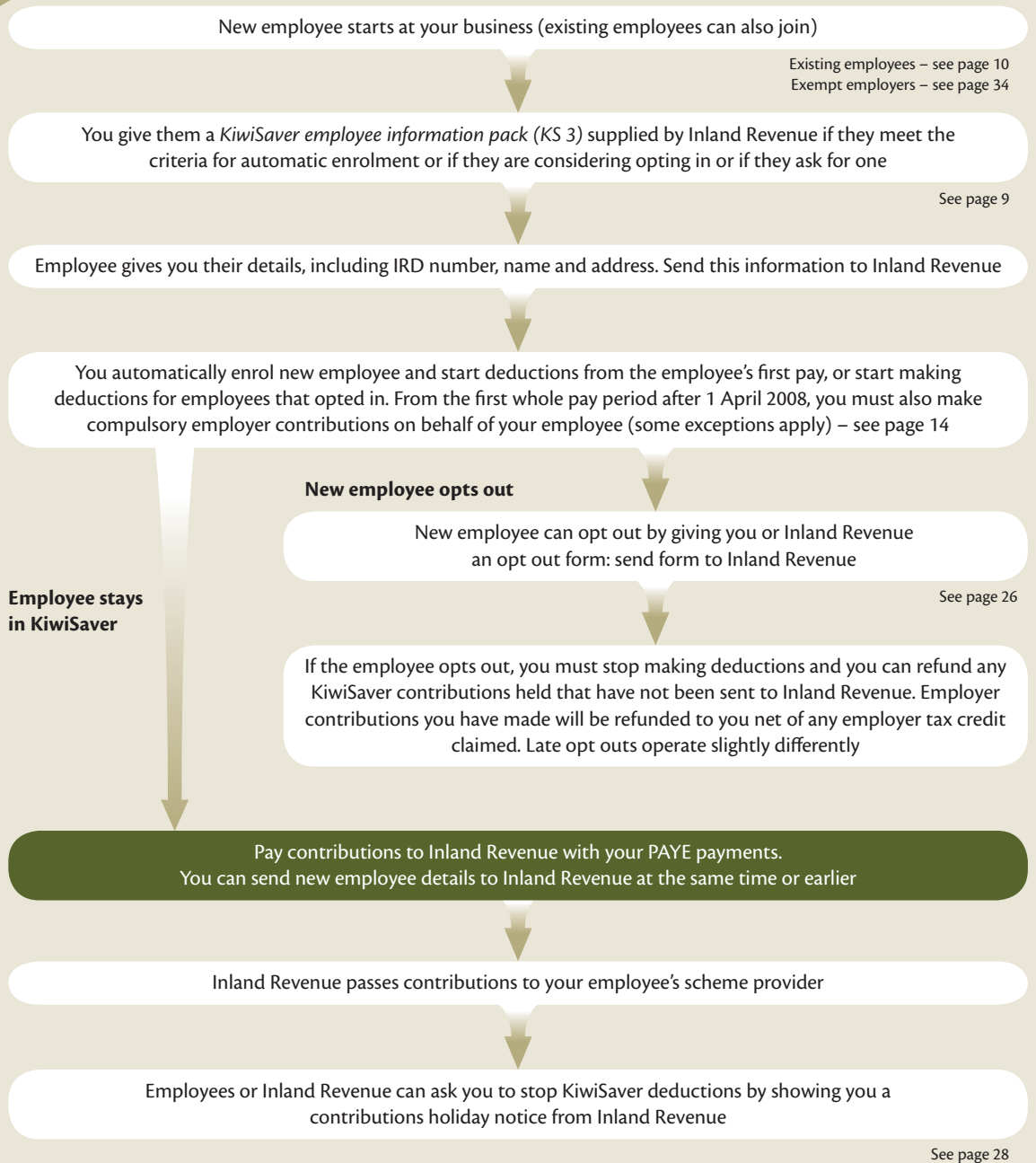
KiwiSaver employer guide

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

An overview of your KiwiSaver responsibilities as an employer



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 for the KiwiSaver Act to apply to them. 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 approach Inland Revenue for more information.

You can find further information about employer obligations for complying funds¹ at www.ird.govt.nz.

Please also see the *KiwiSaver employee information pack (KS 3)* for more general information.

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¹ A complying superannuation fund (complying fund) is a section of a registered superannuation scheme that has been approved by the Government Actuary 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. From 1 April 2008, you will also be required to contribute to your employee's savings in KiwiSaver schemes and complying funds² (some exceptions apply – see page 15).

There are a number of membership benefits to encourage employees to save. These are set out in the *KiwiSaver employee information pack (KS 3)*.

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 enrol eligible new employees who are not already members aged over 18 and under 65 who start a new job, unless you are an approved exempt employer who provides access to another registered superannuation scheme that meets certain criteria (see page 34). There are some other exceptions relating to casual and temporary workers etc. These are explained on page 5.

You start making 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 from the end of week two to week eight after starting their employment (ie, on or after day 14 and on or before day 56) and can have all their contributions refunded. If your employee opts out, your employer contributions will be refunded to you net of any employer tax credit claimed (see page 18).

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 employee information pack (KS 3)*. 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 4% or 8% of their gross salary or wages. With your agreement, employees can choose a transitional rate until 31 March 2012 (see page 15).

Employer contributions

The level of the compulsory employer contribution will be phased in over four years. You are required to start contributing at 1% of your employee's gross salary or wages from 1 April 2008,

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

increasing by 1% each year to reach a maximum of 4% from 1 April 2011. Contributions you make to existing superannuation schemes count as compulsory employer contributions if certain conditions are met (see page 17).

Employer contributions to KiwiSaver and complying funds are exempt from specified superannuation contribution withholding tax (SSCWT)³, subject to some limits (see page 16).

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. If you pay compulsory employer contributions to employees who are members of complying funds, payments are made direct to the scheme provider.

Employer tax credit

From 1 April 2008, you can claim a tax credit of up to \$20 per member per week if you contribute to KiwiSaver schemes or complying funds on behalf of your employees. All contributing employers are entitled to claim a tax credit, including charities and other non-profit organisations. You claim the employer tax credit using the *Employer deductions (IR 345)* form when you file your PAYE returns. You offset the tax credit against the payment due and pay the net amount to Inland Revenue (see page 18).

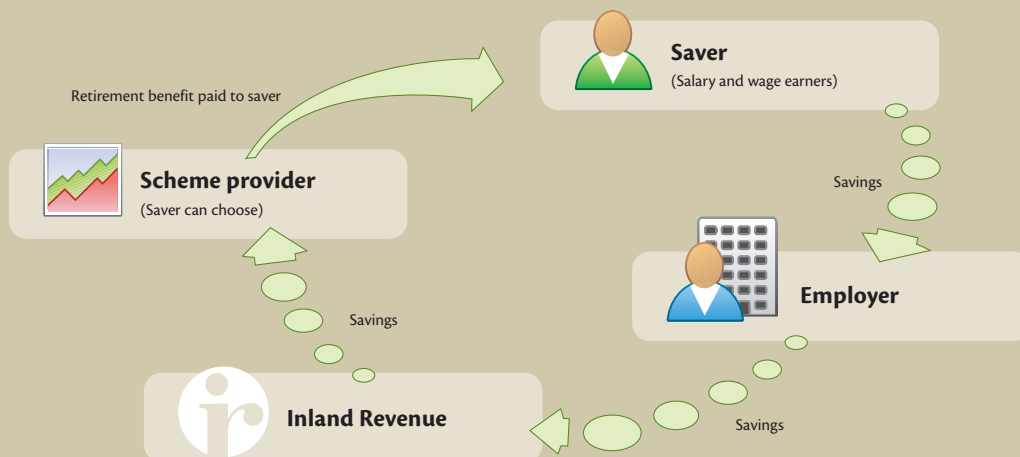
Your options as an employer

There are a number of options available if you would like to be more involved in encouraging retirement saving 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 33).

A note about providing financial advice

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

How savings are invested



³ From 1 April 2008, specified superannuation contribution withholding tax (SSCWT) will be known as employer's superannuation contribution tax (ESCT).

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 employee information pack (KS 3)* 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 a statement advising the employee that you have chosen a scheme they will be allocated to unless they choose their own KiwiSaver scheme (see page 33)
- 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.

You should not give financial advice to your employees. Refer them instead to the Retirement Commission'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 below). People who hold temporary, visitor, student or work permits can't join KiwiSaver. Neither can people who are New Zealand citizens or can 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 and, while here, works full time in his parents' business.

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 will write to you and ask you to start deducting their contributions if they have nominated you as their employer in their application to join. We will provide you with the contribution rate for that employee and their name and IRD number. You are not required to make compulsory employer contributions on behalf of employees under 18. You cannot claim the employer tax credit for employees under 18 even when you make voluntary employer contributions to their KiwiSaver scheme or complying fund.

Temporary and casual employees

Temporary employees employed for 28 continuous days or less are not 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 is 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 are not 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 4 days.

The automatic enrolment rules apply to temporary employees if their employment is extended beyond 28 continuous days. Automatic enrolment applies from the date the decision is made to extend the contract of service beyond 28 continuous days. You must then give them a *KiwiSaver employee information pack (KS 3)* and start contributions from their next pay. The normal opt out rules apply.

From 1 April 2008, casual employees engaged on an irregular and intermittent basis and who receive holiday pay with their wages will not be subject to automatic enrolment.

Casual agricultural workers

Casual agricultural workers who are employed on a day-to-day basis for no more than three months are not 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 employee information pack (KS 3)* and start 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 and, if they do, they will be entitled to the employer tax credit (from 1 April 2008) where they are over 18 and under the permitted withdrawal age (currently 65).

Changing jobs but not changing payroll

Situations where an employee changes jobs but remains on the same payroll do not count as new employment, so 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.

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

e.g.

Changing jobs but not changing 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 is automatically enrolled, as the new branch has a separate payroll to the Hamilton branch.

(See also employment in schools below.)

Employment in schools

Under KiwiSaver, the Board of Trustees is the employer for state or integrated school employees. If an employee changes schools, they are treated as starting new employment and should be enrolled automatically even though they stay on the same payroll.

Contractors and the self-employed

Contractors who appear on the employer monthly schedule (WT tax code etc) are not employees and are treated as self-employed people under KiwiSaver. This means they are not automatically enrolled and can only join by contracting direct with a scheme provider. Do not make KiwiSaver deductions from their pay or include payments (employee contributions or employer contributions) on the employer monthly schedule. You cannot claim an employer tax credit for these contractors even if you make voluntary employer contributions to their KiwiSaver scheme.

Shareholder-employees may be considered employees for KiwiSaver purposes if PAYE is required to be deducted from their salary or wage. If PAYE is not 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 will have contributions deducted from their pay. Shareholder-employees participating as employees will receive the compulsory employer contribution, but not if they participate as self-employed. 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 will not be subject to the automatic enrolment rules. They can either join through you 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 are not 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 is not considered new employment.

New employees



What's important

Your responsibilities (except if you are an employer exempt from the automatic enrolment rules – see page 34) 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 employee information pack (KS 3)*. If you already have an employer-chosen KiwiSaver scheme, give them the investment statement for that scheme and a statement advising the employee that they will be allocated to your chosen KiwiSaver scheme unless they choose their own KiwiSaver scheme (see page 33)
- deduct member contributions from their first pay
- make compulsory employer contributions from the first whole pay period after 1 April 2008 (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-File⁴
- pay the member and employer contributions to us with your next PAYE payment and claim any employer tax credit entitlement (see page 18).

New employees who meet the criteria for automatic enrolment

- Start the automatic enrolment process by giving the new employee a *KiwiSaver employee information pack (KS 3)*. You must do this within 7 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 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 4%. This form should be retained by you and not sent to Inland Revenue.
- If you have an employer-chosen KiwiSaver scheme in place, you must tell your new employee and give them that scheme's investment statement and a statement advising them that you have an employer-chosen KiwiSaver scheme to which they will be allocated unless they choose their own KiwiSaver scheme (see page 33). They can choose, at a later date, to move to another KiwiSaver scheme.
- Deduct member contributions from their first pay.
- Make compulsory employer contributions from the first whole pay period after 1 April 2008 (unless an exception applies).
- Give Inland Revenue the full names, IRD numbers and addresses of new employees using the *KiwiSaver employee details (KS 1)* form. You can also supply this information online if you are registered for our ir-File service. You are only required to give us the information the employee gives you. It is not your responsibility 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 employer monthly schedule (EMS) is due.

⁴ Why not get it done online? You can now file both your Employer monthly schedule (EMS/IR 348) and the *Employer deductions (IR 345)* form electronically using our ir-File service. You can also use the KiwiSaver details form on ir-File to file both the *KiwiSaver employee details (KS 1)* form and the *New employee opt out request (KS 10)* form. Go to www.ird.govt.nz/online-services to register and for more information.

New employees who are existing members

You do not need to send Inland Revenue a *KiwiSaver employee details (KS 1)* form for new employees who are existing 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 4% 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 from the first whole pay period after 1 April 2008 (unless an exception applies – see page 15).

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 4% or 8% or the transitional rate with your agreement (see page 15), or give you a valid contributions holiday notice (see page 28).

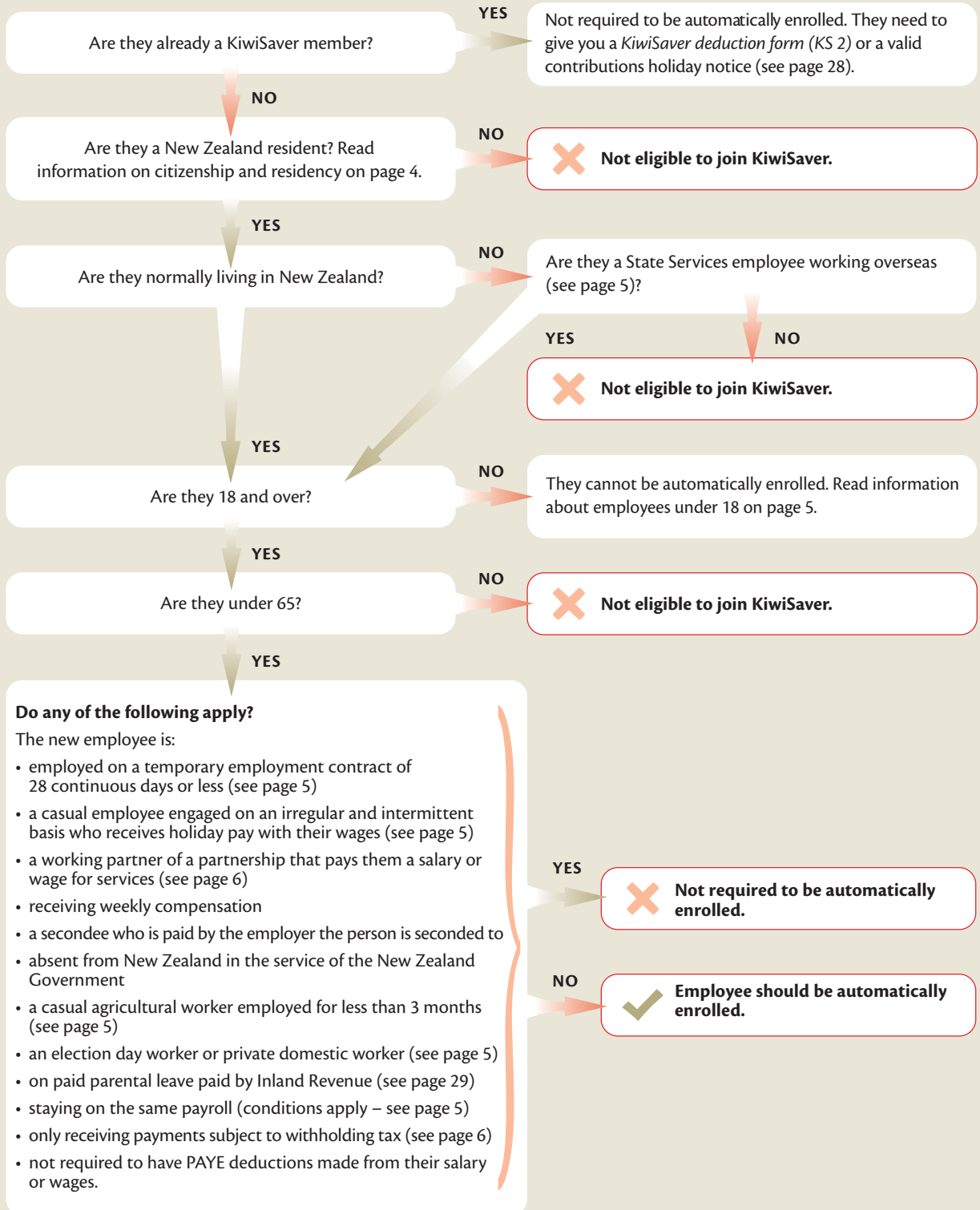
An employee can use a *KiwiSaver deduction form (KS 2)* to let you know their full name, IRD number, address and contribution rate. This form should be retained by you and not sent to Inland Revenue.



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 34).

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 employee information pack (KS 3)* if they request it. You must do this within 7 days. If you have an employer-chosen KiwiSaver scheme, give them that scheme's investment statement and a statement advising the employee that you have chosen a KiwiSaver scheme to which they will be allocated unless they choose their own KiwiSaver scheme (see page 33).

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 advise you to:

- give them a *KiwiSaver employee information pack (KS 3)*
- 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 4%
- make compulsory employer contributions from the first whole pay period after 1 April 2008 (unless an exception applies) and claim any employer tax credit entitlement
- 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.

Existing employees are not 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)*, which is included in the *KiwiSaver employee information pack (KS 3)*. 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 employee information pack (KS 3)* within 7 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 4% or 8% of their gross salary or wages. If they don't nominate a contribution rate, make deductions at the default rate of 4%. This form should be retained by you and not sent to Inland Revenue.
- Check they are eligible to join KiwiSaver. If they are 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 that scheme's investment statement and a statement advising them that you have chosen a KiwiSaver scheme they will be allocated to unless they choose their own KiwiSaver scheme (see page 33).
- Deduct member contributions from their next pay.
- Make compulsory employer contributions from the first whole pay period after 1 April 2008 (unless an exception applies – see page 15).
- Advise us of the details of the employee, using the *KiwiSaver employee details (KS 1)* form. You can provide this form manually or complete it online if you are registered for our ir-File service. You are only required to give us the information the employee gives you. It is not your responsibility 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 employer monthly schedule (EMS) is due.
- Claim any employer tax credit entitlement (see page 18).

Member contributions



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 (4% or 8% of their gross salary or wages), the transitional rates or at the default rate of 4%. 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. You can file these forms online if you are registered for our ir-File service.

From 1 April 2008, you will be required to make compulsory employer contributions to your employee's savings in KiwiSaver schemes and complying funds. Compulsory employer contributions are explained in Part 3. To help offset the cost of employer contributions, you will be able to claim an employer tax credit. The employer tax credit is explained in Part 4.

Contribution rates

Employees can choose a contribution rate of either 4% or 8% of their gross salary or wages. With your agreement, employees can choose a transitional rate until 31 March 2012 (see page 15). The rates of 4%, 8% or the transitional rates are the only contribution rates allowed. The transitional rate rules allow for your contributions to count towards the employee's minimum contribution of 4% so long as you agree to contribute at least 2% from 1 April 2008 (see page 15). The employee can make additional voluntary contributions direct to their scheme provider or to Inland Revenue. Make deductions at the default rate of 4% if an employee elects any other rate or does not select a rate.

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 and 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 quarters 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 for the definition of gross salary or wages. See www.ird.govt.nz for further information.

Complying superannuation funds

The definition of gross salary or wages is different for contributions to complying 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 are not 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 4% to KiwiSaver.

Gross pay ⁵	\$600.00
Less PAYE ⁶	-\$123.43
Less KiwiSaver contribution	-\$24.00 (4% of \$600.00)
Net pay	\$452.57

Special tax code or deduction rate certificate IR23

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%.

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 26)
- a contributions holiday is granted (see page 28)
- the employee no longer receives salary or wages
- you are notified by Inland Revenue
- the employee becomes entitled to and withdraws their savings, thereby closing their account. (An employee can continue contributing once they are eligible to withdraw their savings if they wish. Therefore, 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 4% 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 28)
- the employee no longer receives salary or wages
- you are notified by Inland Revenue
- the employee becomes entitled to and withdraws their savings, thereby closing their account. (An employee can continue contributing once they are eligible to withdraw their savings if they wish. Therefore, 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 forms include fields for member and employer contributions and every field must be completed. You can file these forms 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 via 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 will make the payment regardless of whether or not we have received the contributions. If we do not receive the contributions, we will seek to recover the arrears from you in the same way we would recover unpaid PAYE tax debts.

⁵ You'll need to exclude any amounts not subject to KiwiSaver when calculating contributions.

⁶ Correct as at 1 April 2008.

Employer contributions

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What's important

- From 1 April 2008, you will be required to contribute to your employees' savings in KiwiSaver schemes and complying funds. The level of contribution will be phased in over four years, starting at 1% of your employee's gross salary or wages from 1 April 2008 (see page 15).
- Contributions you make to existing superannuation schemes count as compulsory employer contributions if certain conditions are met (see page 17).
- Your contribution can count towards the employee's minimum contribution of 4% so long as you agree to contribute at least 2% from 1 April 2008 (see page 15).
- Employer contributions are exempt from specified superannuation contribution withholding tax (SSCWT)⁷ subject to some limits (see page 16).
- KiwiSaver employer contributions are paid to Inland Revenue through the PAYE system. You pay complying fund contributions direct to the scheme.
- To help offset the cost of compulsory and voluntary employer contributions to KiwiSaver and complying funds, you will be able to claim an employer tax credit of up to \$20 per member per week (see page 18).

From 1 April 2008, you will be required to contribute to your employees' savings in KiwiSaver schemes and complying funds (some exceptions apply – see page 15).

After 1 April 2008, compulsory employer contributions required to be made by the employer will be backdated where the employee is still employed by you 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.

Initially, compulsory employer contributions must be on top of existing gross salary or wages. Any clause in any employment contract to the contrary only applies if it has been negotiated with the employee in good faith after 13 December 2007.

⁷ From 1 April 2008, specified superannuation contribution withholding tax (SSCWT) will be known as employer's superannuation contribution tax (ESCT).

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
- has not reached the age of eligibility for New Zealand Superannuation (currently 65), or has not been a member of a KiwiSaver scheme or complying fund for five years, whichever date is later
- is not a defined benefit scheme member (see Glossary for a definition).

Contribution rates

The level of contribution will be phased in over four years, starting at 1% of gross salary or wages from 1 April 2008. (In most cases, there will be different definitions of gross salary and wages for contributions to KiwiSaver schemes and complying funds – see page 12.)

From the first whole pay period after	Minimum employer contribution*	Minimum employee contribution*	Total contribution*
1 April 2008	1%	4%	5%
1 April 2009	2%	4%	6%
1 April 2010	3%	4%	7%
1 April 2011	4%	4%	8%

* (% of gross salary or wages)

These percentages are minimum contribution rates. You can make additional voluntary contributions if you wish.

Your contributions can count towards the employee's minimum contribution of 4% as long as you agree to contribute at least 2% from 1 April 2008. (This transitional measure would require you to contribute an additional 1% until 1 April 2009). It is entirely your choice whether you choose to do this.

Here's how it works:

From the first whole pay period after	Minimum employer contribution*	Minimum employee contribution*	Total contribution*
1 April 2008	2%	2%	4%
1 April 2009	2%	2%	4%
1 April 2010	3%	3%	6%
1 April 2011	4%	4%	8%

* (% of gross salary or wages)

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 28), opts out (new employees only – see page 26) or when Inland Revenue advises you to stop making contributions.

Calculating contributions

Here is the formula to use if you are not currently contributing to your employee's superannuation:

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

e.g.

Here's an example:

An employee earns \$2,600.00 a month and is a member of a KiwiSaver scheme. From the first whole pay period after 1 April 2008, the minimum compulsory employer contribution will be:

$\$2,600.00 \times 1\% = \26.00

You only need to pay the compulsory employer contribution if your employee is also contributing to a KiwiSaver scheme or a complying fund. You can claim a tax credit on this amount. Find out how on page 18.

Read the section on page 17 about contributions to existing schemes if you already subsidise your employees' superannuation savings.

Employer contributions and tax

Employer contributions to KiwiSaver schemes and complying funds are exempt from specified superannuation contribution withholding tax (SSCWT) subject to certain limits (This will be known as employer's superannuation contribution tax (ESCT) from 1 April 2008). This applies to both compulsory and voluntary employer contributions. The exemption applies to the lesser of:

- an amount equal to the employee's contribution, or
- 4% of the employee's gross salary or wages.

Any employer contributions over the exemption are subject to SSCWT (ESCT from 1 April 2008). Go to www.ird.govt.nz to read more about SSCWT.

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 (see page 25).

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 it receives the IR 348.

You can file these forms online if you are 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, net of any employer tax credit claimed.

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. Do not pay these through Inland Revenue.

Contributions to existing schemes

Any employer contributions you make to existing superannuation schemes count towards compulsory employer contributions 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 make, or agreed with the employee before 1 April 2008 to make, contributions to the existing superannuation scheme, or
- the employee was employed under a collective agreement in force before 17 May 2007 that expires after 1 April 2008 under which you are required to contribute to the existing superannuation scheme, and
- your employer contributions to that scheme vest completely in the employee within 5 years of the employee becoming a member of that scheme,⁸ and
- contributions are specified superannuation contributions (employer's superannuation contribution from 1 April 2008).

Contributions to a registered superannuation scheme that meet these requirements are known as 'other contributions'. They count towards the compulsory employer contributions even if the scheme does not have similar lock-in rules to complying funds or KiwiSaver schemes.

Calculating deductions

Here is the formula to use if you are currently making employer contributions to a registered superannuation scheme:⁹

$$(\text{payment of gross salary or wages} \times \text{compulsory rate}) - \text{other contributions} - \text{hybrid schemes amounts} = \text{minimum compulsory employer contribution}$$

'Other contributions' means specified superannuation contributions you make for the employee during the pay period such as employer contributions or subsidies for MPs, judicial officers and sworn police.

'Hybrid schemes amount' is the amount calculated by using the following formula:

member's contribution x 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 5 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.

⁸ Please see our website www.ird.govt.nz for additional information about the vesting of employer contributions.

⁹ 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.

Employer tax credit

4



What's important

- From 1 April 2008, you can claim a tax credit of up to \$20 per member per week or the amount contributed by you, whichever is the lesser, if you contribute to KiwiSaver schemes or complying funds on behalf of your employees. All contributing employers are entitled to claim a tax credit, including charities and other non-profit organisations.
- You can claim the tax credit for both compulsory and voluntary employer contributions to KiwiSaver schemes or complying funds from the first pay after an employee starts new employment, or from the first pay after you receive notice from Inland Revenue or the employee that they have joined a KiwiSaver scheme.
- You claim the employer tax credit when you file your PAYE returns using a new version of the IR345 (see page 25). You offset the tax credit against the payment due and pay the net amount to Inland Revenue.
- The tax credit is used first to pay for compulsory employer contributions or to pay outstanding complying fund debt (from 1 April 2009), second to pay for voluntary employer contributions (subject to existing pro rata rules) and third to pay other tax obligations. Any excess will be refunded.
- You may only claim a tax deduction for employer contributions for which you have not claimed an employer tax credit (see page 22).

From 1 April 2008, you can claim a tax credit of up to \$20 per member per week if you contribute to KiwiSaver schemes or complying funds on behalf of your employees. All contributing employers are entitled to claim a tax credit, including charities and other non-profit organisations.

The purpose of the employer tax credit is to help reimburse you for the cost of making contributions to your employees' KiwiSaver scheme or complying fund. You cannot claim for contributions to other superannuation schemes such as defined benefit schemes.

You can claim the tax credit for compulsory employer contributions from the first pay after an employee starts new employment, or from the first pay after you receive notice from Inland Revenue or the employee that they have joined a KiwiSaver scheme or complying fund.

Claiming the employer tax credit

You claim the employer tax credit when you file your PAYE returns using a new version of the IR 345 (see page 25). This new version consolidates the old IR 345 and IR 346 into a single form. You offset the tax credit against the payment due and pay the net amount to Inland Revenue.

Both the PAYE and holiday pay calculators will be updated to include employer tax credit calculations. These can be found at www.ird.govt.nz/calculators/keyword/payee

Calculating employer tax credit entitlements

Provided you make an employer contribution in the payment period, you can claim the lesser of:

- the actual employer contributions for the employee for the period, or
- the amount given by the formula: \$20 x the number of weeks in the payment period.

When calculating, use the precise number of weeks in the payment period.

For example, June has 30 days so $30 \div 7 = 4.29$ weeks.

Number of days in the month	Number of weeks in the payment period	Maximum monthly employer tax credit able to be claimed per member
28	4.00	\$80.00
29	4.14	\$82.86
30	4.29	\$85.71
31	4.43	\$88.57

In the first year, the employer tax credit will generally offset the cost of making employer contributions at 1% for employees earning \$104,000 or less gross per year.

e.g.

Small employer who pays PAYE once a month – Example one

John is a business owner with two employees – Tom and Katrina. Both employees are KiwiSaver members. This means that John:

- deducts KiwiSaver from their wages
- pays the compulsory employer contribution
- can claim the employer tax credit (ETC) to help offset his employer contribution.

John is getting ready to prepare his PAYE forms for the month of May. John makes the following calculation to claim the employer tax credit:

$$\begin{aligned} (\text{days in the PAYE period} \div 7) \times \$20 &= \text{maximum tax credit John can claim} \\ (31 \text{ days in May} \div 7) \times \$20 &= \$88.57 \end{aligned}$$

This means that, for each employee, John can claim the lesser of \$88.57 or the amount of employer contribution he paid for each employee.

John paid \$90 in employer contributions for Tom. This means that John can claim \$88.57 (the maximum employer tax credit) for this employee.

John paid \$57.20 in employer contributions for Katrina. This means that John can only claim \$57.20 (the amount of employer contribution he paid) for this employee.

PAYE period	Calculation	Max ETC	Name of employee	Employer contribution paid	Amount of ETC to claim
May	$(31 \div 7) \times \$20$	\$88.57	Tom	\$90	\$88.57
			Katrina	\$57.20	\$57.20
				Total	\$145.77

When John is preparing his PAYE for May, he can claim a total employer tax credit of \$145.77. He includes this amount on his IR345.

e.g.

Large employer who pays PAYE twice each month – Example two

Fred is the payroll officer for George's Tyre Company. The company pays PAYE twice a month and files PAYE information once a month.

Betty, Steve and Martin – employees of George's Tyre Company – are all KiwiSaver members.

Calculation for the first PAYE period in the month

Fred is preparing the PAYE for 1–15 August. During August, the employees were paid fortnightly on the 2nd, 16th and 30th of the month.

Fred makes the following calculation to work out how much employer tax credit (ETC) the company can claim for each employee who is a KiwiSaver member:

$$(\text{days in the PAYE period} \div 7) \times \$20 = \text{maximum tax credit the company can claim}$$

$$(15 \text{ days in first part of August} \div 7) \times \$20 = \$42.85$$

This means that, for each employee, George's Tyre Company can claim the lesser of \$42.85 or the amount of compulsory employer contribution that has been paid for each employee.

George's Tyre Company has paid:

- \$50 in employer contributions for Betty. This means the company can claim \$42.85 (the maximum employer tax credit) for this employee.
- \$38.20 in employer contributions for Steve. This means the company can only claim \$38.20 (the amount of their employer contribution) for this employee.
- \$98.10 in employer contributions for Martin. This means the company can claim \$42.85 (the maximum employer tax credit) for this employee.

PAYE period	Calculation	Max ETC	Name of employee	Employer contribution paid	Amount of ETC to claim
1–15 August	$(15 \div 7) \times \$20$	\$42.85	Betty	\$50	\$42.85
			Steve	\$38.20	\$38.20
			Martin	\$98.10	\$42.85
				Total	\$123.90

When Fred is preparing the PAYE for 1–15 August, George's Tyre Company can claim a total of \$123.90 in employer tax credit.

Calculation for the second PAYE period in the month

Fred is now preparing the PAYE for 16–31 August. To do this, Fred must calculate the employer tax credit for the whole month and deduct the amount the company has already claimed during 1–15 August.

Fred makes the following calculation to determine how much employer tax credit George's Tyre Company can claim for each employee who is a KiwiSaver member:

Step 1:

(days in the PAYE period ÷ 7) x \$20 = maximum tax credit the company can claim

(31 days in August ÷ 7) x \$20 = \$88.57

This means that, for each employee, George's Tyre Company can claim the lesser of \$88.57 or the amount of compulsory employer contribution that has been paid for each employee.

Step 2:

For each employee, Fred needs to work out the total amount of employer tax credit the company can claim for the full month and subtract the amount of employer tax credit that has already been claimed for the first part of August.

George's Tyre Company paid a total of:

- \$150 (\$50 per pay) in employer contributions for Betty in the month of August. This means the company can claim \$88.57 (the maximum employer tax credit) for this employee.
- \$114.60 (\$38.20 per pay) in employer contributions for Steve in the month of August. This means the company can claim \$88.57 (the maximum employer tax credit) for this employee.
- \$294.30 (\$98.10 per pay) in employer contributions for Martin in the month of August. This means the company can claim \$88.57 (the maximum employer tax credit) for this employee.

PAYE period	Calculation	Max ETC	Name of employee	Total employer contribution paid	Total ETC claim for August	Less ETC already claimed (1–15)	Final ETC claim amount (16–31)
August	(31 ÷ 7) x \$20	\$88.57	Betty	\$150 (\$50 x 3)	\$88.57	\$42.85	\$45.72
			Steve	\$114.60 (\$38.20 x 3)	\$88.57	\$38.20	\$50.37
			Martin	\$294.30 (\$98.10 x 3)	\$88.57	\$42.85	\$45.72
				Total	\$265.71	\$123.90	\$141.81

George's Tyre Company is entitled to a total tax credit of \$265.71 for August. It has already claimed \$123.90 in the first PAYE for August (1–15); therefore, the company can claim an additional \$141.81 in its final PAYE for August (16–31).

Correcting errors

If you claim an incorrect amount, you need to file an *Employer monthly schedule amendments (IR 344)* form with your next Employer monthly schedule (IR 348). If you make an adjustment to a previous schedule, you may be able to claim any remaining employer tax credit that was not fully claimed at the time.

Back pay

From 1 April 2008, you must make compulsory employer contributions on backdated payments of salary or wages from which member contributions are deducted. You claim the associated tax credit in the same payment period in which the back pay is paid.

Tax credit claims for employees who opt out

We will refund employer contributions for an employee who subsequently opts out, net of any employer tax credit you have claimed. You will see this on your next PAYE deductions statement.

Interest effective date on employer contributions and employer tax credit amounts

Inland Revenue will pay interest on employer contributions from the first day of the month in which it receives payment. Payments or employer tax credits that are in excess of the period's assessments will show as credits. Interest will be paid on credits in the employer's account.

Tax returns

You may only claim a tax deduction for employer contributions for which you have not claimed an employer tax credit. For example, if you claim a \$20 tax credit on a \$30 employer contribution, you can only claim \$10 as a deductible expense for income tax purposes.

Employers exempt from paying income tax (eg, charities) may still claim the employer tax credit.

Associated employers

Each employer who contributes to a member's savings can claim a tax credit, although the following associated people are treated as one employer for the purposes of the tax credit:

- Two or more companies if those companies are in a group of companies.
- All partners in a partnership.
- All people to whom the control or ownership of property has passed (eg, executors and beneficiaries of an estate, trustees and settlors in a trust, family partnership and sole traders, etc).

General administration

5



What's important

Opt outs and contributions holidays

- If a new employee who is subject to automatic enrolment gives you a *New employee opt out request (KS 10)* form, you can only act on it when they have 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 (from 1 April 2008) making compulsory employer contributions from their next pay
 - send us the opt out form no later than when your next employer monthly schedule is due. You can file this form online if you are registered for our ir-File service.
- If an employee gives you an opt out form after this timeframe, send it direct to us and continue to deduct member contributions and (from 1 April 2008) 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 will 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 28).

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, employer tax credits claimed, and any notification of contributions holidays or opt outs.
- Penalties may apply if you don't comply with KiwiSaver processes (see page 31).

Forms and employee information packs

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

You must give a *KiwiSaver employee information pack (KS 3)* 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:

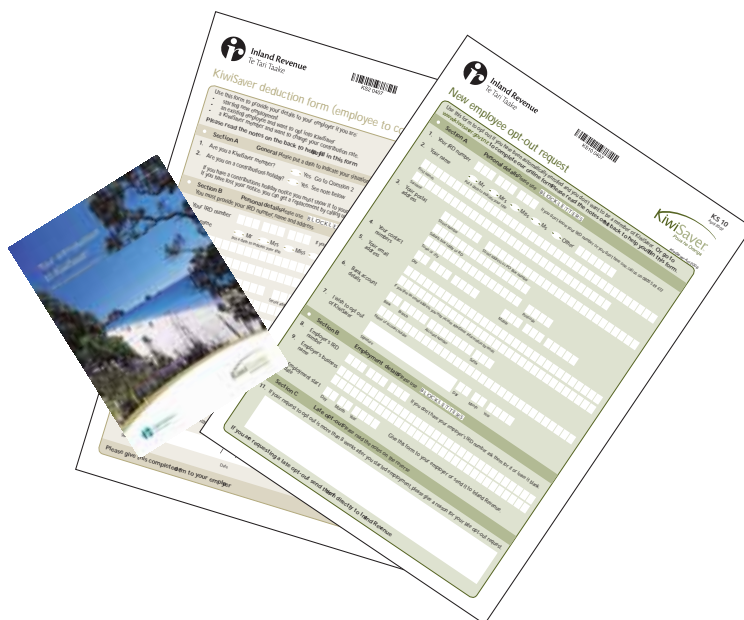
- The *KiwiSaver deduction form (KS 2)*, which an employee can use to let you know their full name, address and IRD number and whether they want member contributions deducted at 4% or 8%.
- The *New employee opt out request (KS 10)* form, which automatically enrolled new employees can use to opt out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

See page 35 for information on ordering forms and *KiwiSaver employee information packs (KS 3)*.

The image shows the 'KS 1 KiwiSaver employee details (employer to complete)' form. It is a white form with a header containing the Inland Revenue logo, a barcode, and the KiwiSaver logo. The form is divided into several sections:

- Section A: Eligibility/Please put a tick to indicate the employee's situation as to:**
 - 1. Is the employee eligible to be a KiwiSaver member? (Yes/No)
 - 2. Is the employee already a KiwiSaver member or is not eligible to join KiwiSaver? (Yes/No)
- Section B: Employee details/Please use S.D.O.C.K.E.E.T.E.R.S.**
 - 3. Employee's name (First name, Surname, Title)
 - 4. Employee's postal address (Street address, P.O. box number, Suburb, Postcode)
 - 5. Employee's contact numbers (Home, Mobile, Fax)
 - 6. Employee's email address
 - 7. Employee's IRD number
 - 8. Employee's IRD name or qualifier
- Section C: Employer details/Please use S.D.O.C.K.E.E.T.E.R.S.**
 - 9. Employer's IRD number
 - 10. Employer's business name
 - 11. Employer's postal address (Street address, P.O. box number, Suburb, Postcode)
 - 12. Employer's contact numbers (Home, Mobile, Fax)

 The form includes instructions for completion and a note at the bottom: 'Please send this completed form to Inland Revenue no later than when you are next required to send employer monthly payments.'



Completing the *Employer deductions form (IR 345)*

You use the *Employer deductions form (IR 345)* to record and pay the deductions you make from your employees' pay. This includes KiwiSaver member and employer contributions. You also use it to claim the employer tax credit.

Inland Revenue
Te Tari Taake

Employer deductions

IR 345
March 2008

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

For more information visit www.ird.govt.nz telephone 0800 277 777 or 0800express (800 257 777)

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
 Deleted
 Corrected
 Deleted
 Deleted

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.

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

Inland Revenue Te Tari Taake **Payment slip**

PRYE deductions and withholding tax	1	\$	
Child support deductions	2	\$	
Student loan deductions	3	\$	
KiwiSaver deductions	4	\$	
KiwiSaver employer contributions	5	\$	
SSCWT deductions	6	\$	
Add Boxes 3, 4, 5, 6, 7 and 8	7	\$	
Employer tax credit claimed for KiwiSaver	10	\$	
Employer tax credit claimed for complying funds	11	\$	
Add Boxes 10 and 11. This is your employer tax credit total	12	\$	
Subtract Box 12 from Box 6. This is the amount you need to pay	13	\$	
Amount of payment	14	\$	

Copy your total from Box 13 and include any late payment penalties and interest, for the period only.

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

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

Enter the specified superannuation contribution withholding tax (SSCWT)¹⁰ deducted from employer contributions. Remember, employer contributions to KiwiSaver and complying funds are exempt from SSCWT subject to some limits (see page 16).

Enter the employer tax credit claimed on contributions to KiwiSaver schemes.

Enter the employer tax credit claimed on contributions to complying funds.

¹⁰ From 1 April 2008, specified superannuation contribution withholding tax (SSCWT) will be known as employer's superannuation contribution tax (ESCT).

A note about claiming the employer tax credit

Provided you make an employer contribution in the PAYE period, you can claim the lesser of:

- the actual employer contributions for the employee for the period, or
- the amount given by the formula: \$20 x the number of weeks in PAYE period.

Use the actual number of weeks in the PAYE period. For example, June has 30 days so $30 \text{ days} \div 7 = 4.29$ weeks.

Number of days in the month	Number of weeks in the payment period	Maximum monthly employer tax credit able to be claimed per member
28	4.00	\$80.00
29	4.14	\$82.86
30	4.29	\$85.71
31	4.43	\$88.57

See calculating employer tax credit entitlements on page 19.

Requests to opt out

Only new employees who meet the criteria for automatic enrolment can opt out of KiwiSaver. They must do this within two to eight weeks of starting work (ie, on or after day 14 and on or before day 56 of starting employment). Employees cannot opt out through an employer outside this timeframe. If an employee gives you a *New employee opt out request (KS 10)* form outside the allowed timeframe, send it direct to us. Continue to deduct member contributions and (from 1 April) to make compulsory employer contributions until we advise you otherwise.

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

- Make sure they are 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 (from 1 April 2008) making compulsory employer contributions from their next pay.
- Refund any member contributions you have made but not yet sent to us, or send them with your PAYE payment and we will refund the employee direct with interest (if any is payable – \$5 threshold for refunds).
- Send the opt out form to us no later than the date your next employer monthly schedule is due.

We will refund to you the employer contributions you have made net of any employer tax credit claimed. The refund will be paid with interest.

e.g.

Requests to opt out – Example one

On 1 April 2009, Mike starts work with you, and the automatic enrolment rules apply. On 15 May 2009, 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 are still holding his deductions, you can refund him direct. In this situation, you do not need to make compulsory employer contributions.

e.g.

Requests to opt out – Example two

On 9 October 2009, 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 2009. You must make KiwiSaver deductions and employer contributions until 22 October 2009 even if Tracey gives you an opt out request before this date. From 22 October 2009, you can refund the member deductions direct to Tracey or pay them to us with your next employer monthly schedule, and we will refund them to Tracey. We will refund to you the employer contributions you have made net of any employer tax credit claimed.

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 is not a member because she opted out. She is 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.

e.g.

Requests to opt out – Example four

Mere starts work with you on 5 December 2008, and the automatic enrolment rules apply. On 3 February 2009, Mere gives you an opt out form. Mere's opt out period begins on 18 December 2008 and ends on 29 January 2009. 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 will refund Mere her contributions and refund to you your compulsory employer contributions on accepting the opt out and adjust any employer tax credit claim you have made for Mere in those payment periods.

Contributions holidays

KiwiSaver members can take a break from saving after they have been a member for 12 months. This is called a contributions holiday. It can be for a minimum of three months, up to a maximum of five years. There is 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 from the date the person 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 restart or stop their contributions holiday by giving you notice to start or stop making deductions from their salary or wages. 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 (from 1 April 2008) make employer contributions.

As soon as your new employee shows or gives you a current contributions holiday notice, you may refund any contributions you have deducted that you have not 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 are not required to pay compulsory employer contributions if an employee is taking a contributions holiday. However, if you choose, you can continue to make compulsory employer contributions and claim the tax credit for these.

e.g.

Contributions holidays – Example one

Joyce has been a KiwiSaver member for two years. 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 it is about to end. Joyce doesn't apply for another contributions holiday and Inland Revenue writes to both employers stating that contributions (employee and employer) must restart.

e.g.

Contributions holidays – Example two

Hiroshi is taking a contributions holiday and starts new employment with you. He has lost his contributions holiday notice so you begin deducting member contributions and making compulsory employer contributions from his first pay. He has 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 to you the employer contributions you have made.

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 are shown such a notice.

Deductions from accident compensation payments

If you take part in ACC's partnership programme, or have an ACC employer reimbursement agreement, you continue paying an employee after an accident. Continue to deduct any member contributions that were in place before the employee's accident. To stop member contributions being deducted from their salary or wages, the employee must apply to Inland Revenue for a contributions holiday. If the member continues to make contributions, you may choose to continue making employer contributions, but you are not obliged to.

When ACC (and not the employer) pays the employee weekly compensation, you do not need to deduct member contributions from those payments. You also don't need to make compulsory employer contributions.

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 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, which has not yet been paid by Inland Revenue to the KiwiSaver scheme provider. Shayne contacts Inland Revenue and is refunded his \$100.

e.g.

Contributions made in error – Example two

Rangi begins a new job and is on a contributions holiday. Rangi has lost his contributions holiday notice so you must make deductions from his salary or wages until he shows you a replacement notice. Rangi contacts Inland Revenue to get a replacement notice to stop deductions and asks us to refund the deductions made from his new job. We request the deductions back from Rangi's scheme provider and refund him.

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 is payable to listed payroll intermediaries that carry out PAYE and related payroll functions for employers with up to five employees.

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 and any employer tax credits you have claimed.

Employee payslips should show member contributions and, from the first whole pay period after 1 April 2008, compulsory employer contributions.

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

You are also required to keep records detailing the employer tax credit breakdown. Inland Revenue may ask for this information in some circumstances.

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 over age 18 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 employee where automatic enrolment does not apply (see page 34).

- Provide a *KiwiSaver employee information pack (KS 3)* to your employees as follows:
 - To a new employee who is eligible for automatic enrolment within seven days of starting employment with you.
 - To an existing employee within seven days of opting in.
 - To an existing employee who requests one.
- Provide an IRD number, name and address to Inland Revenue for each new employee who is eligible for automatic enrolment and each employee who opts into KiwiSaver. You must provide this information no later than the date you are required to file your next employer monthly schedule. You are only required to provide the information that the employee gives you.
- If you already have an employer-chosen KiwiSaver scheme in place, give them that scheme's investment statement and a statement advising the employee that you have chosen a KiwiSaver scheme they will be allocated to unless they choose their own KiwiSaver scheme (see page 33).
- Deduct member contributions:
 - From the first full pay period after 1 April 2008, you will be required to make compulsory employer contributions and pay them to Inland Revenue by the due date along with your PAYE payments (see page 16).
 - From 1 April 2008, to help offset the cost of making compulsory and voluntary employer contributions to KiwiSaver schemes and complying funds, you can claim an employer tax credit of up to \$20 per member per week (see page 18).
- Make deductions and contributions at the correct rate (see page 15).

Compliance

We'll work with you to help you meet your KiwiSaver obligations. Inland Revenue will issue you a reminder if it is detected that you are not meeting your KiwiSaver obligations. A warning notice may also be sent to you advising that we may charge you a KiwiSaver penalty if you do not 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 deduct – where you do not make a correct KiwiSaver deduction when required to do so
- failure to enrol a new employee eligible for automatic enrolment
- failure to make compulsory employer contributions.

The penalties are:

- \$50 a month for small employers
- \$250 a month for large employers.

Note:

- You will not be penalised if an employee refuses to supply information or supplies false information to you.
- You will not be penalised for failure to provide a *KiwiSaver employee information pack (KS 3)* 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 didn'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 are subject to late payment penalties, late filing penalties and use of money interest.

Right of review

Within 20 working days of Inland Revenue giving you notice of a decision that affects your KiwiSaver obligations, you can request that it 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



What's important

As an employer, KiwiSaver gives you a number of options:

- You can make voluntary contributions to employees' KiwiSaver accounts in addition to compulsory employer contributions (see page 15).
- You can have a KiwiSaver employer-chosen scheme.
- You can apply to the Government Actuary to be exempt from having new employees enrolled automatically in KiwiSaver if you offer access to a registered superannuation scheme that meets certain criteria.
- 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 SSCWT (employer's superannuation contribution tax (ESCT) from 1 April 2008) exemption, \$1,000 government kick-start, member and employer tax credits and fee subsidy apply if you add a KiwiSaver section to an existing scheme or convert it to a KiwiSaver scheme.
- You can do none of these things.

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 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 as an employer-chosen scheme will not be liable 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.
- You'll need to arrange for the scheme provider to give you a supply of investment statements to distribute to your employees.

Within 7 days of a new employee joining or an existing employee (who meets the eligibility criteria) opting in, or when an existing employee requests a KiwiSaver employee information pack (KS 3)

When you give your employee a KiwiSaver employee information pack (KS 3), 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 are given an employee information pack, and they must also be given an investment statement for the KAB Ltd scheme and a statement that they will 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
- converting your current scheme to a complying superannuation fund to take advantage of the SSCWT (employer's superannuation contribution tax (ESCT) from 1 April 2008) exemption and, from 1 April 2008, an employer tax credit of up to \$20 per member per week to help offset compulsory employer contributions.

Contributions to existing superannuation schemes count towards compulsory employer contributions (if certain conditions are met – see page 17). Employer contributions to KiwiSaver or complying funds qualify for the employer tax credit.

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 Office of the Government Actuary website www.isu.govt.nz

Employer exemption from KiwiSaver automatic enrolment

If you have an existing registered superannuation scheme, you can apply to the Government Actuary 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 (from 1 April 2008) 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 Government Actuary for approval as an exempt employer because it offers its employees access to a registered superannuation scheme. On 16 July 2007, the Government Actuary 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 does not need to be enrolled automatically in KiwiSaver. If Jeff opted into KiwiSaver or was already a KiwiSaver member when he started employment, Widgets Ltd has to deduct member contributions from his salary and (from 1 April 2008) make compulsory employer contributions.

Additional information



Ordering additional forms and information packs

You can view copies of the forms and guides mentioned in this guide by going to www.ird.govt.nz and selecting 'Forms and Guides' or you can order copies by calling our automated telephone service INFOexpress on 0800 257 773.

INFOexpress is available between 6am and 12 midnight, 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 number of any forms or booklets you're ordering.

You can download *KiwiSaver employer information packs (KS 3)* from www.ird.govt.nz/kiwisaver or www.kiwisaver.govt.nz

Websites

Go to any of these websites for more information:

- www.ird.govt.nz/kiwisaver
- www.isu.govt.nz (Government Actuary)
- 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 one of our advisors.

Call recording

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.

Payroll News

We send this newsletter to you with your Employer monthly schedule (IR 348). It covers tax changes, due dates and topical issues relating to employers, including information about KiwiSaver.

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 you can subscribe to receive email notification when each issue is published.

Employer email updates

Register online at www.ird.govt.nz/kiwisaver/employers to receive regular, up to date emails about KiwiSaver.

Glossary

Automatic enrolment	<p>If a new employee is aged over 18 and under 65, they will be automatically enrolled in KiwiSaver unless:</p> <ul style="list-style-type: none"> • they don't meet the criteria • their employer is exempt.
Complying fund	<p>A complying 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 (eg, KiwiSaver lock in rules and portability).</p>
Compulsory employer contribution	<p>The contribution employers are required to make to their employee's savings in KiwiSaver schemes and complying funds. The level of contribution will be phased in over four years, starting at 1% of your employee's gross salary or wages from the first whole pay period after 1 April 2008.</p>
Contributions holiday	<p>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.</p>
Default schemes	<p>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:</p> <ul style="list-style-type: none"> • AMP • AXA • Mercer • ASB • ING • Tower
Defined contribution scheme	<p>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.</p>
Defined benefit scheme	<p>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.</p>
Employer-chosen scheme	<p>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.</p>
Employer tax credit	<p>A reimbursement to employers from 1 April 2008 for the cost of making compulsory and voluntary employer contributions to their employees' KiwiSaver schemes or complying funds.</p>
Exempt employer	<p>An employer can apply to the Government Actuary to be an exempt employer if they provide access to a Government Actuary approved superannuation scheme. If the employer has received an exemption, they will not have to automatically enrol new employees into KiwiSaver.</p>
Financial advisor	<p>A financial advisor provides advice to assist financial planning and decisions. This does not include an employer who only gives their employees information about KiwiSaver or selecting an employer-chosen scheme.</p>
Financial hardship contributions holiday	<p>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.</p>

Government Actuary	The Government Actuary is part of the Ministry of Economic Development's Insurance and Superannuation Unit and is responsible for registering and regulating KiwiSaver schemes.
Gross salary or wages	<p>For contributions to KiwiSaver schemes, gross salary or wages generally means salary, wages or allowances including:</p> <ul style="list-style-type: none"> • bonuses • commission • extra salary • gratuity • overtime pay • other remuneration of any kind <p>but excludes:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
<i>KiwiSaver employee information pack (KS 3)</i>	Inland Revenue provides a <i>KiwiSaver employee information pack (KS 3)</i> for employers to give to all new employees or for those existing employees who are considering opting in or who ask for one.
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 Government Actuary.
Large employer	Gross annual PAYE and SSCWT ¹¹ deductions are more than \$100,000 annually.
Member contribution rate	An employee can choose to contribute to their KiwiSaver scheme at the contribution rate of either 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 4%.
Member tax credit	KiwiSaver members and complying fund members, if eligible, will receive a tax credit of up to \$1,042.86 a year (equivalent to \$20 a week).
New employment	<p>This is any job started on or after the 1 July 2007. It does not apply to someone who:</p> <ul style="list-style-type: none"> • 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.
New Zealand Superannuation	The state funded pension paid to eligible New Zealand residents currently from age 65.

¹¹ ESCT from 1 April 2008.

Non-employee	Someone who does not work for salary or wages, such as a self-employed person or a contractor/withholding 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).
Retirement Commission	A government-funded body set up to help New Zealanders prepare financially for their retirement.
Scheme provider	A superannuation provider registered by the Government Actuary for KiwiSaver.
Small employer	Gross annual PAYE and SSCWT ¹² deductions are less than \$100,000 annually.
Specified superannuation contributions (employer's superannuation contribution from 1 April 2008)	A specified superannuation contribution is any contribution to a superannuation fund that an employer makes for an employee's benefit. If an employer asks you to make deductions from their wages and pay them to a superannuation scheme (eg, KiwiSaver member contributions), these are not specified superannuation contributions.
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.

12 ESCT from 1 April 2008.

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Answering employees' questions



The Retirement Commission is an excellent source of information for employees. The Retirement 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:

- Intranet access to all Sorted resources.
- The Sorted KiwiSaver Decision Guide, available in various formats:
 - Online, featuring various calculators to help make an informed KiwiSaver decision.
 - Brochures available in various languages.
 - Posters featuring a summary of the Sorted KiwiSaver Decision Guide.
 - KiwiSaver decision-making seminar content (including facilitator's guide and participant's handbook), 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.



Disclaimer

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

This guide is intended to provide general information to the public, and all reasonable measures have been taken to ensure its quality and accuracy. However, Inland Revenue:

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