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From 1 April 2009 some changes are being made to KiwiSaver. Here's a summary of the main points you need to know.

Question

What are the changes being introduced to KiwiSaver from 1 April 2009?

Answer

As from 1 April 2009 changes are being introduced to KiwiSaver. There is no need to worry however as any changes will automatically be taken care of in the new release of MYOB Payroll 2009.

KiwiSaver Changes

(As notified by the Inland Revenue)

The Compulsory Employer Contribution (CEC) will increase to 2% and won't increase further in future years.

You'll need to increase your **CEC** rate to 2% from 1 April 2009, but won't be required to contribute more than this amount in future years unless you want to.

The rate change will apply to the first full pay period after 1 April 2009, so you're not required to calculate a part period at two rates.

The minimum employee contribution rate will reduce to 2% of a member's gross pay.

You may need to reduce the contribution rates for existing KiwiSaver employees if they tell you they want to change their contribution rate to 2%. Ask your employees for written confirmation of their intention to reduce their contribution rate or get them to complete a new *KiwiSaver deduction form (KS2)*. The IRD has advised they do not require notification.

If new employees join KiwiSaver and are automatically enrolled after 1 April 2009, but they don't tell you how much they want deducted from their pay, make deductions at the default rate of 2% of their gross pay.

The ESCT (employer superannuation contribution tax) exemption will be capped at the CEC of 2% from 1 April 2009.

If you choose to contribute more than 2% of your employees' gross pay to their KiwiSaver accounts (which is more than the amount exempt from ESCT), you'll have to pay ESCT on contributions above 2% from 1 April 2009.

ESCT can be taxed in one of the following ways:

1. At a flat rate of 33% in the dollar. OR....
2. An optional ESCT rate based either on the annual salary or an estimate of the total amount of salary and wages that an employee will earn in the year ahead.

If this option is chosen the ESCT rates and thresholds that will apply as from 1 April 2009 are as follows:

<u>Income Range</u>	<u>Tax Rate</u>
\$0 - \$16,800	12.5 %
\$16,801 - \$57,600	21.0 %

\$57,601 upwards 33.0 %

If you're already contributing more than 2% and want to reduce your CEC to the new rate of 2%, you'll need to re-negotiate contractual arrangements with your employees.

ESCT must be paid to Inland Revenue along with the PAYE deductions on your Employer Monthly Schedules.

The employer tax credit (ETC) will be removed.

The ETC you've been receiving from the government will be removed from 1 April 2009.

Any pays processed (with a current pay end date) after this date will not be eligible for an Employer Tax Credit.

Note: This ruling will mean that pays straddling the 1 April 2009 introduction period will not be eligible for the ETC.

Examples:

- Pay period from 24th March to 31 March 2009. This pay period starts and finishes prior to 1 April 2009 so therefore will be eligible for the ETC.
- Pay period from 26th March to 2nd April 2009. This pay period straddles 1 April 2009, therefore the ETC will not be able to be claimed for any part of the pay.

For further information in regard to the required KiwiSaver changes please refer to the [Inland Revenue](#)

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