Fact sheet: Kiwisaver

KiwiSaver is a voluntary work-based savings scheme to help New Zealanders save for retirement.

Employers are required to make KiwiSaver available to eligible staff. They must provide a KiwiSaver information pack (KS3) within seven days to any current employee who asks for information and to all new eligible staff who are New Zealand citizens or are entitled to live here permanently. From 1 July 2019, people 65 and over are also eligible.

Enrolment and employee contributions

Employers must enrol all new eligible employees into KiwiSaver automatically. Some types of staff aren't enrolled automatically but may opt in, including:

- casual and temporary employees employed under a contract of service that is 28 days or less
- those under 18
- casual agricultural workers (who are employed on a day-to-day basis for no more than three months)
- election day workers
- private domestic workers (if they pay their own PAYE)
- working owners of LTCs.

More information on exemptions from automatic enrolment is available on the Inland Revenue website.

Contribution rate

The minimum employee contribution rate is 3% though employees can choose between the rates of 3%, 4%, 6%, 8% or 10%. New employee contribution deductions start from the first payday at the rate they choose. If the employee has not selected a contribution rate, the employer uses the default rate of 3%.

Opt out

A new employee may opt out of KiwiSaver within their first two to eight weeks of work. Otherwise they continue to be enrolled and the employer will continue to make deductions. If a new employee opts out of the scheme within two to eight weeks, all contributions deducted before the date of opt out are refunded to the employee.

Existing employees

All other employees may choose to join at any time, as long as they are eligible. They may join either through their employer, directly through Inland Revenue or their chosen scheme provider. They do not have the same option as new employees to opt out of the scheme once they have joined.

Savings suspensions

An employee may decide to stop contributing after 12 months in the scheme (for periods of between three months and one year at a time). It is also possible in some circumstances to take an early savings suspension within the first 12 months of becoming a KiwiSaver member.

When an employee takes a savings suspension, their employer needs to stop the employee's KiwiSaver deductions and restart them when the suspension finishes. The employer is not required to make compulsory employer contributions during this time.

Reducing or increasing employee contributions

Employees can change their contribution rate. To do this they complete a KiwiSaver deduction form (KS2) selecting the new rate or notify the employer in writing of the change. Employees cannot change their contribution rate more frequently than every three months unless this is agreed with the employer.

Government contribution (formerly member tax credit)

The government will contribute 50c for each $1 contributed by individual KiwiSaver members, up to a maximum of $521.43 per year.

Compulsory employer contributions

Employers are required to contribute to their employees' KiwiSaver or complying superannuation fund. The minimum compulsory employer contribution is currently 3%.

For new employees, the employer contributions start from their first payday. For current employees who opt into the scheme, the employer contributions start from the first payday after the employer receives notification from either the employee or Inland Revenue that the employee has enrolled.

Employer Superannuation Contribution Tax (ESCT)

All employer contributions to employees' KiwiSaver accounts (and complying funds) are subject to employer superannuation contribution tax.

The exception to this is if the employee and employer have agreed to treat some or all of the employer contributions as salary or wages under the PAYE rules. It is important to document this agreement.

KiwiSaver scheme providers and other superannuation schemes

Employers who have their own schemes can apply for an exemption from the KiwiSaver scheme. The Inland Revenue website has further detail.

Employers can select a preferred KiwiSaver scheme for their staff. If the employer has a chosen KiwiSaver scheme, they must advise new employees in writing that the new employee will be allocated to the employer-chosen scheme unless they choose their own KiwiSaver scheme. The employer must also give them the chosen scheme's investment statement.

Employees can choose their own scheme provider, use the employer's preferred scheme, or use a default scheme provider. KiwiSaver members can switch schemes but may only belong to one KiwiSaver scheme at a time.

A full list of scheme providers is available on the Commission for Financial Capability (CFFC) Sorted site.

Administering KiwiSaver

Employers must provide Inland Revenue with the names, addresses and IRD numbers for employees joining KiwiSaver using the New employee and KiwiSaver details form (IR346K) or myIR. They also need to keep records of which employees have KiwiSaver accounts, their contribution rate, compulsory and voluntary employer contributions, and notification of savings suspensions or opt outs.

Deductions and employer contributions are detailed in employment information submitted with each payday filing and sent to the Inland Revenue through the PAYE system. Inland Revenue sends the deductions on to the scheme provider.

Employee opt-out requests and refunds are also administered by Inland Revenue.

Other points to be aware of

- If employers don't make KiwiSaver deductions and pass them on to Inland Revenue they may be liable for penalties
- Self-employed people, beneficiaries, and people under 18 can join by contacting their chosen scheme provider directly
- Before 21 May 2015, the government made an initial contribution to KiwiSaver of $1,000 per employee tax free. This is no longer available

- After three years in the scheme first home buyers may be entitled to a HomeStart grant. Grants are subject to other requirements including maximum income levels and deposit requirements. First home buyers may also withdraw their KiwiSaver account balance to pay a deposit on their first home. However at least $1,000 must remain in their KiwiSaver account

- Generally, KiwiSaver members can't access their savings until they are 65 or have been with KiwiSaver for five years – whichever is the later. Under special circumstances they may be able to withdraw their contributions. From 1 July 2019, new members will no longer be locked in to the scheme for five years. Members between the ages of 60 to 64 (inclusive) who enrolled on or after 1 July 2019 are able to withdraw their KiwiSaver funds at 65

- Employees can withdraw funds after 12 months if they move overseas permanently (including the initial Government $1,000 kick-start payment, where applicable, but not the Government contribution).

Other useful information for employers is set out on the Inland Revenue website.

KiwiSaver and employment agreements

Businesses may write KiwiSaver arrangements into an employment agreement, though there is no obligation to do so.

Where KiwiSaver provisions are written into the employment agreement, record any changes as a document of variation to the employment agreement, signed by both parties and held on the employee's file: This might include:

- changes to voluntary employer contributions
- changes to employee contributions, for example, with a pay rise
- where an employee wishes a pay rise to be commuted to a salary sacrifice paid into KiwiSaver
- where legislative changes impact on the KiwiSaver arrangements

Contractors and the self-employed

Contractors and the self-employed agree the amount of contributions and frequency of payment directly with the scheme provider. They pay the contributions to either Inland Revenue or directly to the scheme provider. They can also make additional voluntary contributions over and above the agreed amount at any time.

Keep in mind

Complete all KiwiSaver documentation within eight weeks of the new employee's first payday, whether they elect to continue in the scheme or to opt out. For existing employees who elect to opt into KiwiSaver, we recommend written documentation of this, signed by both parties.

Inland Revenue's employer guide to KiwiSaver (KS4) has further information.

If you would like to discuss KiwiSaver please contact us.

Last reviewed on 21 July 2020