



1 April 2009 - Changes to KiwiSaver

Employers need to be aware of several changes to KiwiSaver which will apply from 1 April 2009:

- The compulsory employer contribution will increase to 2%, but won't increase further in future years.
- The minimum employee contribution rate will reduce to 2% of a member's gross pay.
- The Employer Superannuation Contribution Tax (ESCT) exemption will be capped at the compulsory employer contribution of 2%.
- The employer tax credit (ETC) will be removed.

Under the initial KiwiSaver legislation, the employer contribution increased by 1% each year until it reached a maximum of 4% in 2011. Those employers who began matching contributions at the maximum level of 4% from the beginning of KiwiSaver, will need to decide whether to;

- (a) continue to contribute at this level and incur Employer Superannuation Contribution Tax (ESCT) on the additional 2% or;
- (b) negotiate with employers whether to cut their contribution back to 2% and pass 2% directly as additional salary.