

KiwiSaver has started

Employers

Employers are the key to making KiwiSaver work. The Inland Revenue Department has tried to make the process for employers as easy as possible.

For employers without a current superannuation scheme the transition to KiwiSaver will not be difficult as compulsory deductions will work alongside the PAYE system with two additional columns being added on the PAYE form.

For employers with an existing superannuation scheme, the employer will either maintain the current scheme, maintain the existing scheme as well as KiwiSaver or changing your existing scheme to KiwiSaver.

Employers must provide the KiwiSaver information pack (KS3) to new employees who commence work on or after 1 July 2007 and to existing employees who want to opt in within seven days of a request.

For employees to be eligible they must be:

- A New Zealand citizen, or entitled to live in New Zealand indefinitely;
- Personally present (or normally present) in New Zealand; and
- Below the age of 65 years old.

State sector employees living outside New Zealand can also join.

However people who hold temporary, visitor, or student permits cannot join KiwiSaver.

Automatic enrolment

All new employees over 18 years old will be automatically enrolled unless any of the exceptions apply. This means you must make KiwiSaver deductions from all payments to employees until:

- An opt-out notice takes effect;
- The employee no longer receives salary or wages;
- A Contributions Holiday is granted;
- You are notified by The Inland Revenue Department; or
- The employee becomes eligible and withdraws their savings.

Exceptions include:

- Casual agricultural worker, election day worker, or private domestic worker.
- Employees on a temporary employment contract of 28 days or less.
- Employees on paid parental leave.
- Employees who stay on the same payroll when a business is taken over, amalgamated, or relocate with the same employer.
- People who receive payments subject to withholding tax.
- People who are not New Zealand residents.
- People who do not normally live in New Zealand.
- People who are not required to have PAYE deductions made from their salary and wages.

New employees who are existing members and existing employees who wish to join

These employees must give you a KiwiSaver Deduction Form (KS2) which lets you know whether they choose to have 4% or 8% deducted. Also, new employees on a Contributions Holiday should supply a KiwiSaver Contributions Holiday Request (KS6).

Benefits for your employees

The Government kick-starts each KiwiSaver member's account with a grant of \$1,000, which is tax free. The Government also pays a tax credit matching contributions made by KiwiSaver members over 18 of up to \$1,042.86 a year.

Shareholder employees

Shareholder employees with PAYE deducted have the same rights to KiwiSaver as ordinary employees. Shareholder-employees without PAYE deducted are

treated as self employed persons for the purposes of the KiwiSaver scheme.

At present it appears that it is not possible for a shareholder-employee who is a KiwiSaver member to receive both a PAYE deducted salary and a non-PAYE salary in the same income year.

Self-employed

Self-employed people can join KiwiSaver by approaching a provider direct and agreeing to make contributions to KiwiSaver as frequently as they choose. But be aware while the \$1,000 kick-start as well as the ongoing tax credit of up to 1,042.86 per year applies."

KiwiSaver Providers

A full list of providers is listed on the KiwiSaver website www.kiwisaver.govt.nz.

Personal Property Securities Act

It's been five years since the arrival of the Personal Property Securities Act, which is a system that provides a security priority for holders (lenders) who register a financing interest on the Personal Property Securities Register (PPSR).

Many are not aware of the fact that a financing

interest automatically expires after five years, or earlier if the registration period is shorter. If holders want to maintain their security priority, they need to renew their security financing interest before the expiry date.

This can be done through the PPSR website www.ppsr.govt.nz.

Landlords be aware

The residential property market is showing no signs of abatement despite the high interest rates and remains a popular investment choice. It pays to be knowledgeable about rental properties and landlords need to be aware of tenancy rights and obligations.

Some of these are as follows:

- It is desirable to have a written tenancy agreement for easier enforcement.
- The landlord can make a prospective tenant pay 2-4 weeks' rent as a bond which is held by the Tenancy Tribunal. It is refunded only when both the tenant and the landlord sign a form agreeing the amount to be allocated to each of them.
- The landlord is entitled to deduct any costs from

the bond for repairs/damage (other than normal wear and tear) caused to the property by the tenant.

- The tenant is required to give a minimum notice of 21 days if they want to terminate the tenancy. However, the landlord must give 90 days' notice to end the tenancy. The notices have to be in writing.
- The term of the residential tenancy may be fixed for a specified term or may be for an undefined period which continues until it is terminated by either the tenant or the landlord as stated above.
- Either party can apply to the Tenancy Tribunal (during or after the tenancy ends) to deal with any disputes arising from the tenancy, for example if they disagree on the bond amount to be refunded.

Important: This is not advice. Clients should not act solely on the basis of the material contained in the *Client Newsletter*. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The *Client Newsletter* is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval. 166/07.