

# **Taxation (KiwiSaver HomeStart and Remedial Matters) Bill**

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*Officials' Report to the Finance and Expenditure  
Committee on Submissions on the Bill*

February 2015

*Prepared by Policy and Strategy, Inland Revenue, and the Treasury*



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## OVERVIEW

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The central feature of the bill proposes to extend the current KiwiSaver withdrawal rules for first-home buyers on 1 April 2015 as part of the Government's HomeStart package announced in August 2014.

Under the current rules, KiwiSaver members who are purchasing their first home are able to withdraw the contributions they and their employer have made, to supplement a deposit on a first home.

The proposals in the Taxation (KiwiSaver HomeStart and Remedial Matters) Bill will allow them to also withdraw their member tax credit, giving these members access to up to an extra \$521 for each year the Government has contributed to the scheme. The Government's \$1,000 kick-start contribution is excluded from the provisions in the bill and cannot be withdrawn so a member's KiwiSaver account remains open and active after the withdrawal of eligible funds.

Four submissions were received on the KiwiSaver proposals in the bill and are covered in this officials' report.

No submissions were received on the proposed remedial amendments to the Income Tax Act 2007 and the KiwiSaver Act 2006, which will ensure that income replacement payments made to New Zealand veterans are taxed as intended by the Veterans' Support Act 2014.

The bill therefore clarifies that income replacement payments for veterans will be treated in the same way as ACC compensation payments for taxation, social policy and KiwiSaver purposes, and will be taken into account for social policy calculations such as when applying for Working for Families tax credits.



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## Matters raised in submissions

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## TRANSITIONAL SAVINGS PROVISIONS FOR PROVIDERS

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### *Clause 6*

#### **Submissions**

*(Workplace Savings NZ, ANZ)*

The bill should include a transitional “savings” provision to provide relief to KiwiSaver providers who would otherwise be required to update offer documents from 1 April 2015 or potentially be in breach of securities law. Such a provision would allow providers to update their documents to reference the new KiwiSaver rules during the next annual review cycle. *(Workplace Savings NZ, ANZ)*

The transitional savings provision should go further and include reference to other non-legislative changes to the KiwiSaver HomeStart policy which were announced in Budget 2014. *(Workplace Savings NZ)*

#### **Comment**

Officials agree with the submissions and note that similar transitional savings provisions have been made in similar circumstances in previous bills.

#### **Recommendation**

That the submissions be accepted.

## WITHDRAWAL OF THE GOVERNMENT KICK-START CONTRIBUTION

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### *Clause 6*

#### **Submission**

*(BNZ)*

With the change to allow KiwiSaver members to withdraw their accumulation of member tax credits, the \$1,000 kick-start contribution is the only portion of their savings which is unavailable for withdrawal under first home withdrawal rules. Is there any “overwhelming policy rationale” for this?

#### **Comment**

Excluding the \$1,000 kick-start contribution means that KiwiSaver members’ accounts will remain open following a withdrawal under the first home withdrawal provision. This is a pragmatic rule to ensure members remain part of the scheme and their payments, deductions and tax credits have somewhere to go.

#### **Recommendation**

That the submission be noted.

## DEFINED TERMS

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### *Clause 4*

#### **Submission**

*(BNZ)*

The bill seeks to amend the definition of “salary and wages”. The defined term in the KiwiSaver Act is “salary or wages”.

#### **Comment**

Officials agree with the submission that the correct term should be “salary *or* wages”, as defined in the KiwiSaver Act 2006. [Emphasis added].

#### **Recommendation**

That the submission be accepted.

## **OTHER ASPECTS OF THE HOMESTART PACKAGE**

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*No clause*

### **Submissions**

*(Alan Matteucci, BNZ)*

The Government should not increase the first home deposit subsidy for newly built homes, which is changing from a maximum of \$5,000 (or \$10,000 for a couple) to \$10,000 (or \$20,000 for a couple). *(Alan Matteucci)*

The Government should review the price cap limits which set the maximum price for a house to still qualify for the first home deposit subsidy. *(BNZ)*

### **Comment**

The submitters have raised matters that do not relate to the provision in the bill. Changes to the HomeStart deposit subsidy and the price cap are made through Cabinet directives rather than legislation.

### **Recommendation**

That the submissions be declined.