

Budget 2011: Employer superannuation contribution tax information for employers

What is changing?

Removal of ESCT exemption: KiwiSaver and complying superannuation funds

- Employer superannuation contribution tax (ESCT) is a tax that employers deduct from employer's superannuation cash contributions. The current exemption from ESCT for contributions of up to 2% of salary and wages to KiwiSaver and complying superannuation fund accounts is being removed from 1 April 2012.
- This means that from 1 April 2012 ESCT must now be deducted on all of an employer's superannuation cash contributions.
- ESCT is usually deducted from the employer's superannuation cash contributions; it is not an additional cost for employers.

ESCT calculation method – All superannuation funds

- From 1 April 2012 ESCT due on an employer's superannuation cash contributions can no longer be calculated at a flat rate of 33 cents in the dollar.
- Instead from 1 April 2012 ESCT must be calculated at a progressive rate based on either:
 - the annual salary or wages plus gross employer's superannuation cash contributions paid for the employee in the previous standard tax year (where the employee was employed for all of that year), or
 - an estimate of the total amount of salary or wages plus gross employer's superannuation cash contributions that the employee will earn in the year ahead (where the employee was not employed for all of the previous tax year).
- Alternatively, if your employee agrees, you will still be able to elect to treat your employer's superannuation cash contributions as salary or wages under the PAYE rules.

Key facts

- ESCT deductions must be paid to Inland Revenue along with PAYE deductions on the *Employer deductions (IR345)* form.
- ESCT is not included on the *Employer monthly schedule (IR348)*. The amount shown as total employer's superannuation cash contributions on the *Employer monthly schedule* is the net amount, which is the gross employer's superannuation cash contributions minus ESCT.

Where can I find more information about ESCT?

- Further information for employers about calculating and paying ESCT, including the progressive ECST rates and thresholds, is available on Inland Revenue's tax website - www.ird.govt.nz.