

KiwiSaver Superannuation came into effect on 1 July 2007, and comprehensive support for the Scheme is built-in to **SmoothPay**.

In summary, KiwiSaver provides Employees with a savings scheme (up to 8% of their gross taxable earnings), and allows Employers to contribute *a percentage and/or lump-sum contributions* as well.

Enrolment is automatic for new Employees (some classes of Employee are exempt and membership becomes optional), though Employees may opt-out after a certain period (between 2 and 8 weeks after starting).

One advantage is that the KiwiSaver gets a \$1000 kick-start added to their savings after the opt-out period has expired.

Further information about the Scheme itself is available from Inland Revenue and from the www.kiwisaver.govt.nz website.

How does SmoothPay help me with KiwiSaver?

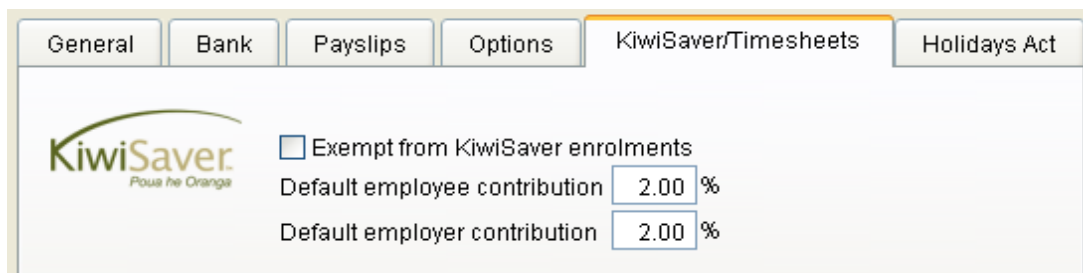
SmoothPay does most of the heavy lifting for you:

- Enrol Employee's when they are added (or opt-out if required)
- Change enrolment status for existing Employees and optionally process refunds
- Indicate an Employee is on a "KiwiSaver holiday"
- Set default Employee and Employer contribution percentages for new Employees
- Set custom Employee and Employer contribution percentages for any enrolled Employee
- Include *KiwiSaver Deductions* and *Employer Contributions* (and any applicable ESCT *deductions* from the Employer's contribution) in your IR345 Reports for payment to the IRD
- Automatic generation of electronic transfer files for IR345 and KS1 (KiwiSaver enrolments)
 - You must be registered for ir-Filing with the IRD to send these files instead of completing IRD forms
 - Refer to the *ir-File Production Factsheet* available on our website for more information.

Setting Up KiwiSaver Defaults

The *Company Setup* screen provides options for setting *default contribution percentages* for new Employees, and automatic enrolment exemption (if applicable).

Choose *Company Setup...KiwiSaver* tab and set as required.



When you add a new Employee, they will be automatically enrolled unless you have an enrolment exemption, or their employment or tax status dictates they do not need to be automatically enrolled (though you can still enrol them if you wish).

Their enrolment will use the *default contribution percentages* set above. These percentages can be changed if required when they are set up as an Employee or later in their *Pay Input* screen. These settings are used to form part of the Employee's *Standard Pay*.

Enrolling New Employees

Every new Employee added on or after 1 July 2007 may be automatically enrolled in KiwiSaver unless their employment or tax status dictates an exemption.

If the Employee is *exempt* (refer KiwiSaver scheme information from IRD) then you can tick or untick the enrolment option as required.

If your Company is *exempt* from automatic enrolment then the *Enrol in KiwiSaver* flag will be unticked, though you may tick it if the Employee wishes to contribute to KiwiSaver.



KiwiSaver		
<input checked="" type="checkbox"/> Enrol in KiwiSaver		
Employee contribution	2.00	%
Employer contribution	2.00	%

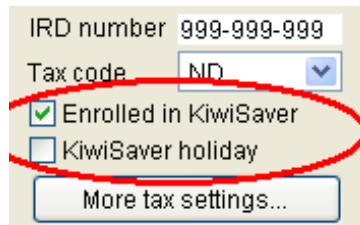
These settings (if enrolling) will automatically form part of the Employee's *Standard Pay*.

Enrolling Existing Employees

Existing Employees may be enrolled for KiwiSaver contributions.

To enrol an existing Employee, choose the Employee then click *Edit Employee* (or Right-Click and choose *Properties*). Tick the *Enrolled in KiwiSaver* Flag (or untick if the Employee is opting out of KiwiSaver - enrolment must have been no more than 8 weeks ago).

You also have the option to set a *KiwiSaver Holiday* Flag for enrolled Employees (available after one year, for up to 5 years).



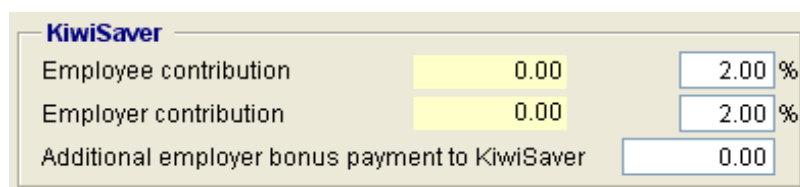
IRD number	999-999-999
Tax code	ND
<input checked="" type="checkbox"/> Enrolled in KiwiSaver	
<input type="checkbox"/> KiwiSaver holiday	
More tax settings...	

You will need to check the required *contribution percentages* in the Employee's *Current Pay* and *Standard Pay* entries (*Pay Input...Tax, Salary options*). See below.

Changing Contribution Percentages

You may alter the Employee's *Pay Input* to set the percentages applicable for the *Employee and Employer contributions*.

Choose *Pay Input...Tax, Salary, Child Support* screen:



KiwiSaver		
Employee contribution	0.00	2.00 %
Employer contribution	0.00	2.00 %
Additional employer bonus payment to KiwiSaver	0.00	

Make any alterations as required.

You should then save the new percentages as part of the Employee's *Standard Pay* entries (otherwise *next pay* the percentages will revert).

You may also specify a *bonus payment* to be contributed to the Employee's KiwiSaver account here as well.

- This may attract ESCT (*an extra tax deduction from the contribution*) on the amount unless it is an amount up to the Employee's contributions total or 2% of the Employee's pay (*whichever is less*) over the last 52 weeks or since enrolment in KiwiSaver.
- This Bonus should NOT be stored in the Employee's *Standard Pay* entries.

Payslips (and reprinted Payslips)

SmoothPay's *Payslips* will show the KiwiSaver content in either (or both) of the following ways:

- The *Deductions...Other* total will include any Employee KiwiSaver contribution
- The *Deductions* detail lines will show an entry and value for the Employee's contribution
- Payslips also show the Employer's contribution for the pay period
- You can also choose to show the contributions totals for the year (*Company Setup...Payslips*).

Standard Reports

Standard Reports will identify the Employee's KiwiSaver contributions included as part of the Employee's *deductions* and the total Employee contributions are identified separately on the *Payroll Summary* and on the *Payroll Update Report*.

If you are printing *Employer Schedules*, then the Employer contributions will also be listed.

Employer Monthly Schedule (IR348/349) Processing

This process automatically generates a KiwiSaver enrolments file which may be transferred via ir-File to the IRD, instead of having to complete KS1 or on-line forms, and a Report showing the file contents in case you wish to enter the enrolments manually on the IRD website.

The changes also emit the new KiwiSaver contribution fields required in the *ir-File IR348.CSV* as well as the printed IR348/IR349 schedule (*IRD approved, meaning you need only sign and send – you do not need to copy the figures onto IRD forms or enter them manually on-line*).

IR345 Payments Processing

This process automatically generates an *ir-File* compliant file (*EDF.CSV*) for those who wish to send their Returns in electronically, as well as a printed Report if you're still doing things manually.

Ledger Costing Analysis

If you produce *Ledger Costing Analysis* from **SmoothPay**, any KiwiSaver Employee *deductions* will be placed into the PAYE Control account as a contra entry. The PAYE Control account should contain PAYE, Child Support, Student Loan and KiwiSaver *Deductions* from Employee wages – these settings are established in the *Company Setup...Ledger* screen.

Employer contributions are automatically pro-rated over each contributing Employee's *Cost Centres* based on the earnings charged to each *Cost Centre*. This provides *exact cost of employment* and avoids messy accounting separately for KiwiSaver contributions.

Refunds of Contributions

All refunds **should be** dealt with by the Inland Revenue Department. We strongly discourage Users from manually refunding KiwiSaver contributions.

SmoothPay does not provide for refunding of amounts contributed, other than by reprocessing the pay period/s concerned or by clearing the KiwiSaver amounts. You then need to reproduce the correct IRD schedules and complete the appropriate adjustment forms and pay any penalties that might apply.

Other Superannuation Funds

SmoothPay supports other Superannuation Schemes (both compliant and non-compliant) and Employer subsidies. Please refer to the [ESCT \(SSCWT\) Tax on Superannuation Factsheet](#) from our website.

For example, this *Group Scheme* has been established as a compliant Superannuation Fund:

The screenshot shows a software window titled "Group Scheme Maintenance". On the left, there is a list box containing "My Super Fund". To the right, there are several form fields: "Description" (My Super Fund), "Scheme management company", "Phone", "Email", and "Reference". Below these fields are two checked checkboxes: "Superannuation?" and "KiwiSaver compliant". At the bottom, there is a collapsed section labeled "Deduction scheme options".

Contributions are added as an "Employer Calculated Allowance" for Employer contributions, and a *standard deduction* for Employee contributions. Both must be linked to the appropriate *Group Scheme* to be treated as Superannuation.

Reporting Facilities

SmoothPay provides *IRD Schedules* (IR345 and IR348/IR349) and an *Superannuation Contributions Report* that show Employee and Employer contributions and ESCT (if any) per Employee, for any selected tax month from the *Reports Menu* list.

Edit Employee...Pay History also provides an option to view historical Payslips and reprint them (including KiwiSaver contributions), as well as a KiwiSaver pay history for any tax year which shows per pay contributions and any ESCT.

Reports...Employees...KiwiSaver Members provides a list of Employees who are currently enrolled, and shows their *contribution rates* and *ESCT rates*.

What the heck is ESCT?

ESCT is "*Employer Superannuation Contributions Tax*", which is a tax applied to Employer's contributions (subsidy) to an Employee's Superannuation Scheme.

KiwiSaver provides for an exemption from ESCT (restricted to a gross contribution of 2% or an amount matching the Employee's contribution, whichever is smaller), unlike other types of (non KiwiSaver compliant) Super Schemes.

If ESCT tax is deducted, it will default to 33%, unless an alternative rate is specified on the Employee's *More Tax Settings* screen.

So, if the Employer's contribution is the *lesser* of the Employee's contribution or 2% of the gross taxable earnings per pay over the last 52 weeks or while the Employee has been a KiwiSaver, then no ESCT (*Employer Superannuation Contributions Tax*) applies to the contribution. If the contribution is *greater*, then the Employer's contributions are reduced by the ESCT percentage set for the Employee.

ESCT rates are set by IRD and are based on the Employee's earnings from all sources (not just you as one of their Employers), so take care and review the percentage constantly.

CEC – Compulsory Employer Contributions

CEC means Employers **MUST** contribute to Employee's KiwiSaver savings (the Employee must of course be enrolled in KiwiSaver).

Employers *must contribute* at least 2%.

SmoothPay will automatically apply the *minimum contribution percentages* as they are required.

Feel free to contact our HelpDesk if you have any questions.

*** END ***