

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).

Advantages of this scheme are, that if the employer's contribution is the lesser of the employee's contribution or 4% of the gross taxable earnings per pay over the last 52 weeks or while the employee has been a KiwiSaver, then no SSCWT (tax) applies to the contribution, so the employee gets full benefit of the employer's subsidy.

Another 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](http://www.kiwisaver.govt.nz) website.

## How does SmoothPay help me with KiwiSaver?

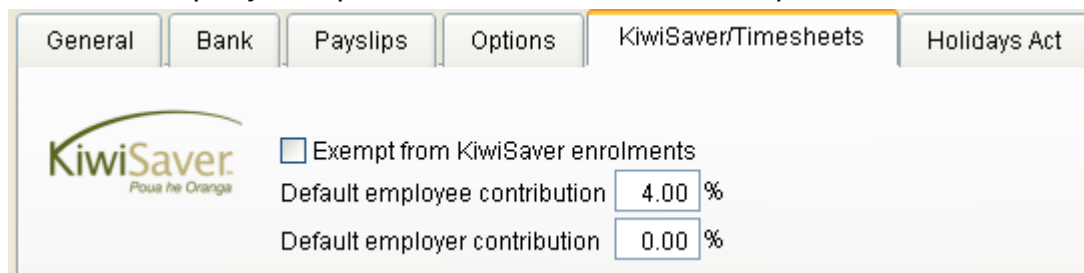
SmoothPay to do most of the heavy lifting for you (or you can perform all your KiwiSaver processing using forms available from the IRD and their website)...use SmoothPay to:

- Enrol employee's when they are added (or opt-out if required)
- Change enrolment status for existing employees and optionally process refund information
- 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 SSCWT and ETC (employer tax credits)) in your IR345 reports for payment to the IRD
- Automatic generation of electronic transfer files for IR345 and KS1 (KiwiSaver enrolments) – you need to be registered for ir-Filing with the IRD to send these files instead of completing IRD forms - *refer to our irFile Guide 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.



General	Bank	Payslips	Options	<b>KiwiSaver/Timesheets</b>	Holidays Act
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  Exempt from KiwiSaver enrolments  
Default employee contribution  %  
Default employer contribution  %

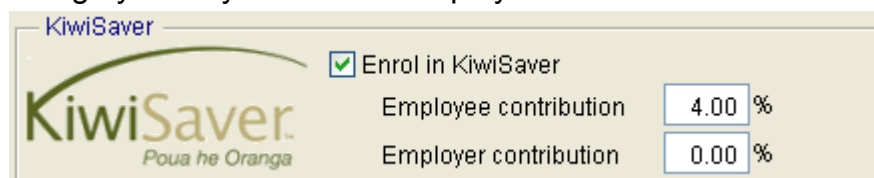
When you add a new employee, they will be automatically enrolled unless you have an enrolment exemption, or their employment or tax status dictates they do not need to be automatically enrolled (though you can still enrol them if you wish). Their enrolment will use the default contribution percentages set above (you can change them as you set up the 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 enrolment flag will be unticked, though you may tick it if the employee wishes to contribute to KiwiSaver.



The screenshot shows the 'KiwiSaver' section of a form. It includes the KiwiSaver logo with the tagline 'Poua he Oranga'. Below the logo, there is a checked checkbox for 'Enrol in KiwiSaver'. To the right of this checkbox are two input fields: 'Employee contribution' set to '4.00 %' and 'Employer contribution' set to '0.00 %'.

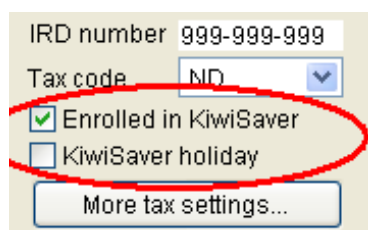
These settings (if enrolling) will automatically form part of the employee's *Standard Pay*.

## 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 enrolment 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).



The screenshot shows a portion of the 'More tax settings...' dialog box. It includes fields for 'IRD number' (999-999-999) and 'Tax code' (ND). Below these are two checkboxes: 'Enrolled in KiwiSaver' (checked) and 'KiwiSaver holiday' (unchecked). A red oval highlights these two checkboxes. At the bottom is a button labeled '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	4.00 %
Employer contribution	0.00	4.25 %
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, though this may attract SSCWT (tax) on the amount unless it is an amount up to the employee's contributions total or 4% of the employee's pay (whichever is less) over the last 52 weeks or since enrolment in KiwiSaver. This bonus should NOT be included 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

## 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 (IR348/9) 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 from July 2007 onwards, and also provide a new format 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 (IR346) Payments processing

This process caters for the new KiwiSaver fields required from July 2007 and April 2008 onwards, and automatically generates an ir-File compliant file (EDF.CSV) for those who wish to send their returns in electronically.

From 1 April 2008, the IR345 form automatically calculates and reports any applicable ETC (Employer Tax Credits) for compulsory employer contributions.

## Ledger costing analysis

If you produce a 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 Company Setup..Ledger screen).

Employer contributions has it's own cost centre in the ledger setup screen, and the same cost centre is used for any ETC that is calculated.

## 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 amopunts (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 and employer subsidies (which are subject to SSCWT). This topic is covered in detail in a separate HelpNote, available from our website or by contacting the HelpDesk.

SmoothPay does NOT currently support other “KiwiSaver compliant” schemes. Please contact the HelpDesk if you are contemplating using an alternative KiwiSaver compliant superannuation scheme to ensure that SSCWT exemption options can be added to SmoothPay.

## Reporting facilities

SmoothPay provides IRD Schedules (IR345 and IR348/IR349) and an *SSCWT and Contributions* report that show employee and employer contributions and SSCWT (if any) per employee, for any selected tax month.

*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 SSCWT.

*Reports..Employees..KiwiSaver members* provides a list of employees who are currently enrolled, and shows their contribution rates and SSCWT rates.

## What the heck is SSCWT (aka ESCT)?

Good question. SSCWT is “Specified Superannuation Contributions Withholding Tax”, and the good folk at IRD have decided that the name needs changing to ESCT, which is a tax applied to employer's contributions (subsidy) to an employee's superannuation scheme.

KiwiSaver provides for an exemption from SSCWT tax (restricted to a gross contribution of 4% or an amount matching the employee's contribution, whichever is smaller), unlike other types of super schemes.

The benefit is that the employee receives the full benefit of the employer's subsidy.

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

### **CEC - Compulsory Employer Contributions**

CEC means employers MUST contribute to employee's KiwiSaver savings (the employee must of course be enrolled in KiwiSaver).

From 1 April 2008, employers must contribute at least 1%, and this increases each April by 1% until the subsidy reaches 4%.

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

### **ETC - Employer Tax Credits**

Due to the introduction of CEC (compulsory employer contributions), the employer is entitled to a subsidy to offset the cost of making the contribution.

This subsidy is currently up to \$20 per week (in the tax period, not the pay periods included in the tax period), or the amount of CEC actually paid, whichever is less.

Again, SmoothPay automatically calculates your ETC and shows it on the IR345 form from 1 April 2008.

The ETC amount is offset against the CEC charges that may be transferred to your ledger system, and yes, SmoothPay takes care of it all for you.

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

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