

Taxation (KiwiSaver HomeStart and Remedial Matters) Bill

Government Bill

Explanatory note

General policy statement

This Bill proposes amendments to the following Inland Revenue Acts:

- KiwiSaver Act 2006
- Income Tax Act 2007.

The main proposals are in relation to the following issues:

- withdrawal of member tax credits for KiwiSaver members purchasing their first home
- corrections to the tax, social policy, and KiwiSaver treatment of income replacement payments for some veterans and other claimants.

Withdrawal of member tax credits

KiwiSaver members who are purchasing their first home are currently able to withdraw the contributions they and their employers have made to their KiwiSaver funds. They are not able to withdraw the \$1,000 kick-start or member tax credits paid by the Government. This Bill amends the KiwiSaver Act 2006 to allow KiwiSaver members to withdraw their member tax credits when purchasing their first home.

This change takes effect from 1 April 2015.

*Treatment of income replacement payments for
veterans*

This Bill provides that income replacement payments for veterans are treated the same for the purposes of taxation, social policy, and KiwiSaver as are the income compensation payments provided by the ACC. The payments are taxable, they are taken into account for social policy calculations, and they do not trigger the application of the rules relating to auto-enrolment and compulsory employer contributions for KiwiSaver.

Changes relating to the treatment of lump sum retirement payments come into force on 7 December 2014. Other changes come into force on the day on which the Act receives the Royal assent.

Departmental disclosure statement

Inland Revenue is required to prepare a disclosure statement to assist with the scrutiny of this Bill. It provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2014&no=2&>.

Regulatory impact statement

A regulatory impact statement was not required for this Bill.

Clause by clause analysis

Clause 1 provides for the title of the Act.

Clause 2 provides for the commencement of the Act. *Clauses 4(a) and (b), 8(1), 9(1), and 11(1) and (2)* come into force on 7 December 2014. *Clause 6* comes into force on 1 April 2015. The other provisions come into force on the day on which the Act receives the Royal assent.

Amendments to KiwiSaver Act 2006

Clause 3 provides that *clauses 4 to 6* amend the *KiwiSaver Act 2006*.

Clause 4 amends *section 4*, making changes to cross-references in the definition of *salary and wages*. *Paragraphs (a) and (b)* come into force on *7 December 2014*, reflecting *clause 11(2)*.

Clause 5 amends *section 14*, which sets out the situations in which the auto-enrolment rules do not apply, to include various payments made under the *Veterans' Support Act 2014* and referred to in *section RD 5 of the Income Tax Act 2007* as a consequence of *clause 11*.

Clause 6 amends *schedule 1*, which provides for the rules of Kiwi-Saver schemes, so that the rules permit the withdrawal of contributions by the government. The change comes into force on *1 April 2015*.

Amendments to Income Tax Act 2007

Clause 7 provides that *clauses 8 to 11* amend the *Income Tax Act 2007*.

Clause 8 amends *section CF 1*, to include various payments under the *Veterans' Support Act 2014* in the list of payments that are income under that section. *Clause 8(1)* comes into force on *7 December 2014*, reflecting *clause 11(2)*.

Clause 9 amends *section CW 28*, to include various payments under the *Veterans' Support Act 2014* in the list of payments that are exempt income under that section. *Clause 9(1)* comes into force on *7 December 2014*, reflecting *clause 11(2)*.

Clause 10 amends *section MA 7*, to provide that recipients of various payments under the *Veterans' Support Act 2014* are treated in the same way as a recipient of income-related payments from the ACC for the purposes of the family scheme.

Clause 11 amends *section RD 5*, to provide that various payments under the *Veterans' Support Act 2014* are treated as salary and wages for the purposes of the PAYE rules. *Clause 11(1) and (2)* comes into force on *7 December 2014*, providing for retirement lump sums paid under the *Veterans' Support Act 2014* on or after that date.

Hon Todd McClay

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Taxation (KiwiSaver HomeStart and Remedial Matters) Act **2014**.
- 2 Commencement** 5
(1) This Act comes into force on the day on which it receives the Royal assent, except as provided in this section.
(2) **Sections 4(a) and (b), 8(1), 9(1), and 11(1) and (2)** come into force on 7 December 2014.
(3) **Section 6** comes into force on 1 April 2015. 10
- Amendments to KiwiSaver Act 2006*
- 3 KiwiSaver Act 2006 amended**
Sections 4 to 6 amend the KiwiSaver Act 2006.
- 4 Section 4 amended (Interpretation)** 15
In section 4(1), in the definition of **salary and wages**,—
(a) in paragraph (a)(i), replace “(6)(b) to (bd)” with “(6)(b) to (bc)”:
(b) in paragraph (a)(v)(A), replace “section RD 5(1)(b)(iii) and (7)” with “section RD 5(1)(b)(iii), **(6)(bd)**, and (7)”:
(c) in paragraph (a)(v)(A), replace “**(6)(bd)**” with “**(6)(bd) to (bg)**”. 20
- 5 Section 14 amended (Other situations when automatic enrolment rules do not apply)**
After section 14(1)(a)(iib), insert:
“(iic) **section RD 5(6)(be) to (bg)** (which relate to 25
payments made under the Veterans’ Support Act 2014):”.
- 6 Schedule 1 amended (KiwiSaver scheme rules)**
Replace schedule 1, clause 8(4)(a) with:
“(a) the amount of the contribution made by the Crown 30
under section 226 (disregarding any positive or nega-

tive returns for the purpose of calculating the amount of that contribution):”.

Amendments to Income Tax Act 2007

- 7 Income Tax Act 2007 amended**
Sections 8 to 11 amend the Income Tax Act 2007. 5
- 8 Section CF 1 amended (Benefits, pensions, compensation, and government grants)**
- (1) Replace section CF 1(1)(h) with:
“(h) a veteran’s pension:
“(i) a retirement lump sum paid under Part 5, subpart 7 of the Veterans’ Support Act 2014.” 10
- (2) Replace **section CF 1(1)(i)** with:
“(i) a retirement lump sum paid under Part 5, subpart 7 of the Veterans’ Support Act 2014:
“(j) weekly income compensation paid under Part 3, subpart 4 of that Act: 15
“(k) weekly compensation paid under Part 4, subpart 5 of that Act:
“(l) weekly compensation or aggregated payments, as applicable, paid under schedule 2, part 4, clause 54, 55, 58, or 59 of that Act.” 20
- (3) Repeal section CF 1(2)(i).
- 9 Section CW 28 amended (Pensions)**
- (1) Replace section CW 28(1)(a) with:
“(a) a pension or allowance under the Veterans’ Support Act 2014, including a lump sum paid pursuant to an election under section 53(1)(b) of that Act, but excluding— 25
“(i) a veteran’s pension:
“(ii) a retirement lump sum paid under Part 5, subpart 7 of that Act.”. 30
- (2) After **section CW 28(1)(a)(ii)**, insert:
“(iii) weekly income compensation paid under Part 3, subpart 4 of that Act:

“(iv) weekly compensation paid under Part 4, subpart 5 of that Act:

“(v) weekly compensation or aggregated payments, as applicable, paid under schedule 2, part 4, clause 54, 55, 58, or 59 of that Act.”

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10 Section MA 7 amended (Meaning of full-time earner for family scheme)

Replace **section MA 7(3)**, other than the heading, with:

“(3) The incapacity referred to in subsection (2)(b) and (d) is an incapacity due to personal injury by accident for which— 10

“(a) an accident compensation earnings-related payment has been, is being, or will be paid:

“(b) a payment that has been, is being, or will be paid, under the Veterans’ Support Act 2014, is—

“(i) weekly income compensation paid under Part 3, subpart 4 of that Act: 15

“(ii) weekly compensation paid under Part 4, subpart 5 of that Act:

“(iii) weekly compensation or aggregated payments, as applicable, paid under schedule 2, part 4, clause 54 or 55 of that Act.” 20

11 Section RD 5 amended (Salary or wages)

(1) Repeal section RD 5(1)(b)(iv).

(2) After section RD 5(6)(bc), insert:

“(bd) a retirement lump sum paid under Part 5, subpart 7 of the Veterans’ Support Act 2014.” 25

(3) After **section RD 5(6)(bd)**, insert:

“(be) weekly income compensation paid under Part 3, subpart 4 of the Veterans’ Support Act 2014:

“(bf) weekly compensation paid under Part 4, subpart 5 of the Veterans’ Support Act 2014: 30

“(bg) weekly compensation or aggregated payments, as applicable, paid under schedule 2, part 4, clause 54, 55, 58, or 59 of the Veterans’ Support Act 2014.”.
