

The Treasury

Budget 2015 Information Release

Release Document July 2015

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 6(e)(iv) - to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.
- [4] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [5] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [6] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
- [6a] 9(2)(ba)(ii) - to protect information, where the making available of the information would be likely otherwise to damage the public interest
- [7] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [8] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [8a] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting the collective and individual ministerial responsibility
- [9] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [10] 9(2)(h) - to maintain legal professional privilege
- [11] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [12] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [13] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [14] Not in scope

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, a [4] appearing where information has been withheld in a release document refers to section 9(2)(a).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Reference: T2015/544

SH-11-4-3-8

Date: 19 March 2015

To: Minister of Finance (Hon Bill English)
Associate Minister of Finance (Hon Steven Joyce)
Minister of Revenue (Hon Todd McClay)

Deadline: Wednesday, 25 March

Aide Memoire: EGI Briefing for Finance Paper Proposing Changes to KiwiSaver

Purpose

1. This aide-memoire briefs you on the EGI paper "*KiwiSaver: removal of kick-start payment*". That paper is on the EGI agenda for 25 March. The EGI paper seeks Ministers' agreement that Budget 2015 include removal of the \$1,000 KiwiSaver kick-start payment to all new enrolees, with effect from budget day.
2. We understand that as the Minister of Finance will not attend that EGI meeting, the Minister of Revenue will present the paper.

Comment

3. Key points are:
 - KiwiSaver has been very successful at getting people to join. Enrolment rates are very high and greatly exceed expectations when the scheme was launched.
 - However, it is very poor value for money. The fiscal costs are high and a long-running IRD-led evaluation concludes that any increase in private retirement savings has been at best very modest. Further, the evaluation suggests KiwiSaver subsidies flow mostly to people who would have saved anyway, or to people outside KiwiSaver's target groups.
 - This proposal seeks to improve value for money of the scheme by reducing the fiscal subsidy. In particular, it seeks Ministers' agreement that Budget 2015 include removal of the current \$1,000 KiwiSaver kick-start payment to all new enrolees, with effect from budget day.
 - This has a minor consequential effect on HomeStart. At present, the \$1,000 kick-start cannot form part of a HomeStart withdrawal. This is to ensure that following a HomeStart withdrawal the KiwiSaver account will

have at least \$1,000 in it, preventing the account being reduced to nil, or a negative amount by provider fees, and encouraging members to remain in the scheme. If the kick-start is discontinued, changes will be required to ensure that individuals accessing HomeStart continue to retain at least \$1,000 in their KiwiSaver account.

- The Member Tax Credit, which matches members' contributions 50 cents for each dollar contributed up to a maximum Member Tax Credit of \$521.43 per annum, will be retained unchanged.
- If the change proceeds, it needs to be implemented when it is announced. Otherwise there would be a large spike in enrolments following any announcement as new members join to get the kick-start before it is withdrawn. That would likely significantly reduce, or even reverse, the initial fiscal savings. Therefore the proposal is to announce and implement this change on budget day.

4. Treasury supports the proposals in this paper. The estimated fiscal savings are as follows:

Fiscal Implications (\$m GST excl.)					Treasury Comment
14/15	15/16	16/17	18/19	Out years	
<i>Operating</i>					The reduction in operating expenses is entirely due to the cessation of kick-start payments, less IRD implementation funding of \$210,000 spread over 2015/16 and 2016/17.
(17.00)	(174.82)	(125.97)	(106.00)	(107.00)	
<i>Capital</i>					

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