

# The Treasury

## Budget 2023 Tax Initiatives Information Release

July 2023

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**Inland Revenue**  
Te Tari Taake



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI

POLICY AND REGULATORY STEWARDSHIP

**Tax policy report: Government payment of KiwiSaver employer contribution to paid parental leave recipients**

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<b>Date:</b>	18 April 2023	<b>Priority:</b>	High
<b>Security level:</b>		<b>Report number:</b>	IR2023/128; MBIE 2223-3479

**Action sought**

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	<b>Action sought</b>	<b>Deadline</b>
Minister of Revenue	<p><b>Note</b> the content of this report and enclosed Cabinet paper</p> <p><b>Lodge</b> the attached paper, subject to any feedback, by 10:00 a.m. Thursday 27 April 2023 for consideration at the Cabinet Economic Development Committee meeting on 3 May 2023.</p> <p><b>Refer</b> a copy of this report to the Minister of Finance, the Minister of Social Development and Employment, the Minister of Workplace Relations and Safety, Associate Minister of Workplace Relations and Safety, and the Associate Minister of Revenue.</p>	27 April 2023
Minister of Commerce and Consumer Affairs	<p><b>Note</b> the content of this report and enclosed Cabinet paper</p> <p><b>Provide</b> feedback to the Minister of Revenue on the enclosed Cabinet paper</p>	27 April 2023

**Contact for telephone discussion (if required)**

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<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>First contact</b>
Carolyn Elliott	Policy Lead, Inland Revenue	[39]	
Tom Simcock	Manager, Financial Markets, MBIE	[35]	
Monika Ciolek	Principal Advisor, Financial Markets, MBIE		✓ MBIE
Josh Fowler	Senior Policy Advisor, Inland Revenue	[39]	✓ Inland Revenue

18 April 2023

Minister of Revenue  
Minister of Commerce and Consumer Affairs

## **Government payment of KiwiSaver employer contributions to eligible paid parental leave recipients**

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### **Purpose**

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1. This report provides you with:
  - 1.1 Further information about progressing the proposed Government payment of KiwiSaver "employer" contributions for KiwiSaver members in receipt of paid parental leave payments, and
  - 1.2 A draft Cabinet paper seeking policy approval for these proposals for your consideration ahead of the Cabinet Economic Development Committee scheduled for 3 May 2023.

### **Background**

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2. On 23 February 2023, the Ministry of Social Development (MSD), Inland Revenue (IR) and the Ministry of Business, Innovation and Employment (MBIE) provided the Minister of Finance, the Minister of Social Development and Employment, the Minister of Revenue, the Minister of Commerce and Consumer Affairs and the Associate Minister of Revenue with the joint agency report *KiwiSaver enhancement - further advice on costs* (IR2023/044; MBIE 2223-2510 refers).
3. The above report provided you with advice on the projected costs of three KiwiSaver enhancement options. You agreed that the third option (namely, the proposal that the Government pay the KiwiSaver employer contribution to KiwiSaver members on paid parental leave (PPL)), be progressed through Budget 2023.
4. This option was allocated funding as part of Budget 2023 on 11 April 2023 (CAB-23-MIN-0139 refers).

### **Discussion**

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#### ***Inclusion within the 2023-24 Annual Rates' Bill***

5. The proposed Government payment for some PPL recipients requires legislative changes to the KiwiSaver Act 2006. We understand Ministers wish to include this proposal within the 2023-24 Annual Rates' Bill to be passed by 31 March 2024. This Bill is intended to be introduced on or shortly after 18 May 2023.
6. However, the policy change will first need to be approved by Cabinet. To obtain this approval and the necessary legislative approval in time for inclusion in the Bill at introduction, a paper will need to be considered by the Cabinet Economic Development Committee on 3 May 2023. We have prepared and enclosed a draft Cabinet paper for your consideration.

## ***Tax treatment of proposed Government payment***

7. The February report with costings noted that further consideration would need to be given to how Employer Superannuation Tax (ESCT) should apply to the new payment. We propose that ESCT apply to the proposed government "employer" contribution. As an integrity measure, this would ensure that the government's "employer" contribution is treated in the same way as a conventional employer contribution. This proposed approach is reflected in the enclosed draft Cabinet paper.

## ***Implementation***

8. Implementing this proposal will require Inland Revenue to make changes to the existing system. Inland Revenue is able to implement this proposal from **1 July 2024**. This means the proposal would be operational and apply to KiwiSaver members receiving paid parental leave from 1 July 2024 onwards. Funding in Budget 2023 has been allocated on this basis.

## ***Consultation***

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9. The Treasury was consulted on the content of this report.

## ***Next steps***

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10. The next steps are for both Ministers to:
  - 10.1 Review the enclosed Cabinet paper, and
  - 10.2 Provided you each agree with the recommendations, for the Minister of Revenue to **sign** and **lodge** the Cabinet paper by 10:00 a.m., Thursday 27 April 2023 for consideration at the Cabinet Economic Development Committee meeting on 3 May 2023.

## ***Recommendations***

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1. We recommend that you

### **Minister of Revenue and Minister of Commerce and Consumer Affairs**

- 1.1 **Note** the content of this report and enclosed Cabinet paper.

**Noted**

**Noted**

- 1.2 **Agree** that the enclosed draft Cabinet paper be lodged, subject to any feedback, by 10:00 a.m., Thursday 27 April 2023 for consideration at the Cabinet Economic Development Committee meeting on 3 May 2023.

**Agreed/Not Agreed**

**Agreed/Not Agreed**

### **Minister of Revenue**

- 1.3 **Lodge** the enclosed draft Cabinet paper, subject to any feedback by 10:00 a.m., Thursday 27 April 2023 for consideration at the Cabinet Economic Development Committee meeting on 3 May 2023.

**Lodged**

- 1.4 **Refer** a copy of this report to the Minister of Finance, the Minister of Social Development and Employment, the Minister of Workplace Relations and Safety, Associate Minister of Workplace Relations and Safety, and the Associate Minister of Revenue.

**Referred**

**Minister of Commerce and Consumer Affairs**

- 1.5 **Provide** feedback to the Minister of Revenue on the Cabinet paper

**Provided/not provided**

**Carolyn Elliott**

Policy Lead  
Policy and Regulatory Stewardship

Inland Revenue

**Tom Simcock**

Manager, Financial Markets  
Ministry of Business Innovation and  
Employment

**David Parker**

Minister of Revenue

**Dr Duncan Webb**

Minister of Commerce and Consumer  
Affairs