

# **TRANS-TASMAN RETIREMENT SAVINGS PORTABILITY**

(AND A LEGISLATIVE UPDATE)

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## EMIGRATION FROM NZ TO AUSTRALIA

- Australian schemes are not approved overseas schemes (indeed none are!)
- >12 months after emigrating – cash withdrawal (Member Tax Credits forfeited)
- Await Qualifying Date (65/5 years' membership)

## EMIGRATION FROM AUSTRALIA TO NZ

- Transfers not permitted
- Cash withdrawal on superannuating

- Memorandum of Understanding 16 July 2009
- Purpose: to record shared intention to permit transfers of retirement savings between Australian complying superannuation schemes (APRA regulated) and KiwiSaver schemes, and agreed principles in support of:
  - developing a seamless trans-Tasman labour market; and
  - supporting ongoing work towards shared goal of a Single Economic Market

- Arrangement to take effect:  
“On the first day of the second month following the month in which the two Governments have exchanged notes informing each other that their respective [enabling legislation has passed].”
- NZ’s enabling legislation delayed, but imminent.
- Australia’s:
  - proposed for inclusion in Tax Laws Amendment (2010 Measures No. 4) Bill but was excluded at introduction
  - delayed by Federal Election/Bill has lapsed now anyway

- Inland Revenue (NZ) – Australia still committed/fully supportive (small uneconomic accounts/inefficiency, ATO estimates net revenue gain – A\$7.5M by 2013)
- Originally to take effect mid-2010 – now 2011

- When KiwiSaver member emigrates to Australia:
  - can no longer withdraw cash after >12 months; *but*
  - can transfer entire balance (includes MTCs) to Australian CSS
- When Australian CSS member emigrates to NZ, can transfer entire balance to KiwiSaver scheme
- Transfers (and participation by schemes) will be voluntary
- Subsequent transfers to third country will be prohibited but “two way valve” (NZ/Australia)

- General principle – host country's lock-in rules apply post-transfer
- Australia to NZ:
  - standard KiwiSaver death, hardship and serious illness withdrawal provisions apply (without modification);
  - all post-transfer earnings on transferred amounts governed entirely by KSR
- NZ to Australia – analogous (standard rules apply/all Australian rules apply to post-transfer earnings)

- Key differences:

Australian funds to KiwiSaver	KiwiSaver funds to Australia
can be withdrawn at age <b>60</b> if member satisfies Australia's "retirement" definition (see IR <i>Information Sheet</i> )  cannot be withdrawn for home purchase	cannot be withdrawn as of right until <b>65</b> /Qualifying Date if later  cannot be transferred to SMF

- Transfers:
  - no exit taxes
  - Australia to NZ – no entry tax
  - NZ to Australia – no entry tax (and non-concessional contributions cap of limited application)
- Investment income:
  - Australia's headline tax rate 15% but effectively 10% on capital gains (and franking credits on dividends)
  - NZ 10.5%, 17.5% and 28%, but no tax on capital gains from NZ/qualifying ASX-listed shares
  - growth investing focus may mean less investment income tax in NZ

## WRINKLES IRONED OUT

- Deletion of requirement that fees on Australian-sourced funds be deducted first from NZ-sourced funds (so no duplicate unit pricing)
- Invalid enrolments – clearer rules
- Testing retirement at 60:
  - “with necessary modification for KiwiSaver scheme trustees”
  - statutory declaration – no intention to be gainfully employed ever again
- Complying superannuation funds - WIP

- ATO estimated in July 2009 A\$13B (NZ\$16B) in super savings built up by emigrants – mostly NZers
- By one estimate, up to A\$3.75B of “lost accounts” could belong to NZers
- NZers back from Australia who have lost accounts (in ERFs) can use ATO website [www.ato.gov.au/superseeker](http://www.ato.gov.au/superseeker)
- Multiple administration fees an incentive to consolidate (Australia allows multiple funds)

- Taxation (GST and Remedial Matters) Bill
  - introduced 5 August
  - more KiwiSaver remedials:
    - Inland Revenue/provider information sharing
    - wind-ups
- Fund withdrawal tax
  - outright repeal 1/4/11 (not 1/10/15)
  - welcome pragmatism from officials
- 6% and 10% KiwiSaver employee contribution rates?