

March 2025

## FSC Debrief – [Taxation \(Annual Rates for 2024–25, Emergency Response, and Remedial Measures\) Bill](#)

### Additional documents:

- 27 February [Finance and Expenditure Select Committee Report](#). The Committee recommended all amendments unanimously.

Bill Reference	FSC Submission Recommendation	Final amendments	Outcome indicator
<p>Part 2 – Amendments to <b>Income Tax Act 2007</b></p> <p>A ‘scheme pays’ option, intended to apply from 1 April 2026, requires that the QROPS provider deliver the relevant information to the IR monthly.</p> <p><u>Explanatory Note:</u></p> <p>The “scheme pays” mechanism would apply from 1 April 2026.</p> <p>Transfers from KiwiSaver schemes of previously transferred UK pension funds to New Zealand QROPS would be</p>	<ol style="list-style-type: none"> <li>1. A list of information required from the member and the timescales involved in order to comment on issues with the type of information required.</li> <li>2. Consideration of the cost to the providers of updating systems for reporting to IR and also document updates for gathering the additional information from members.</li> <li>3. We suggested further engagement with IR for points 1-2 above.</li> <li>4. The “scheme pays” option should be an opt in regime for managers and that schemes should not be required to participate in the “scheme pays” option.</li> </ol>	<p>The Select Committee recommended amending clause 105(33) to make “scheme pays” optional for KiwiSaver providers.</p> <p>The scheme pays” regime will be come into effect on 1 April 2026. This means that a migrant can elect to have their QROPS provider pay the NZ taxes on transfer of an overseas pension to a NZ QROPS. Since the regime is now an optional regime for providers, the need for lead time before the changes take effect is not as pressing as it was when the Bill was first drafted and providers were required to offer the “scheme pays” facility to members.</p> <p>The Select Committee have recommended amending clause 124 to extend the time frame for an individual to notify the QROPS provider of the assessable withdrawal amount to 10 working days from the date of transfer.</p>	<div> <div></div> Poor           <div></div> Medium           <div></div> Good         </div> <div></div>

available from 1 April 2025.		Point 2 around costs does not seem to have been picked up. However, note the timeframe has been extended for an individual to notify QROPS providers of assessable withdrawal amount to 10 working days from date of transfer.	
<b>KiwiSaver Act 2006</b> Section 189 – Signing on behalf of minors  Only one guardian to contract with a KiwiSaver provider in the name of the minor addresses issues where legal guardianship is undetermined	Address the risk that one parent could transfer a minor’s account between different providers without the other parent’s knowledge or consent. The legitimacy of the authority of a parent transferring a minor’s funds during custody or relationship property disputes may be questioned.	<i>This suggestion has not been picked up</i>	
<b>KiwiSaver Act 2006</b> Section 190 – Transfers of QROPS accumulation  The definition of “QROPS accumulation” requires reinvestment in a KiwiSaver scheme.  Also concerns with “Net value”	Reinvestment in a KiwiSaver scheme could potentially exclude QROPS money.  Suggested definition:  “QROPS accumulation means, in relation to a member of a KiwiSaver scheme, the manager’s reasonable estimate of the gross value of the amount of the foreign superannuation withdrawal derived by the member from an interest in a superannuation scheme constituted in the United Kingdom and reinvested in the KiwiSaver scheme in accordance with section CF 3(2)(b) of the Income Tax Act 2007 before 17 June 2015, directly or	<i>The definition of “QROPS accumulation” has changed from the Bill to ensure that QROPS money that has been first transferred from the UK to an intermediary QROPS (including a KiwiSaver scheme that was a QROPS while KiwiSaver schemes were able to be QROPS) and then transferred into a KiwiSaver scheme (while KiwiSaver schemes were QROPS) are included in the definition of “QROPS accumulation”.</i>  <i>The QROPS rules in the UK legislation regulate the original amount transferred from the UK pension scheme (ignoring positive and negative returns). In order to align with the QROPS rules, the “QROPS accumulation” definition should refer to the original amount transferred from the UK</i>	

	through a superannuation scheme or another KiwiSaver scheme, which is reduced by the amount of the manager's reasonable estimate of any withdrawals that the member has made from such schemes following reinvestment of that amount".	<p><i>pension scheme (ignoring fees and positive and negative returns) but the amount needs to be reduced by any withdrawal following receipt of the original amount transferred from the UK pension scheme, otherwise the member will be able to transfer more than just the QROPS-regulated amount from a KiwiSaver scheme to the QROPS. The proposed change in the Select Committee report to the definition of "net value" in the KiwiSaver Act does not fix this problem.</i></p> <p><i>If the above recommendation is incorporated into the QROPS accumulation definition, it would be preferable if the definition recognised that some of the records of the ring-fenced QROPS amounts are less than complete in some cases and that it may be reasonable to rely on the manager's reasonable estimate of these amounts because the manager may not know what withdrawals have been made previously or indeed what the original amount transferred from the UK pension scheme was.</i></p>	

#### **Further information and next steps:**

The Select Committee have not acknowledged our submission point around the cost to the providers of updating systems for reporting to IR and also document updates for gathering the additional information from members. We could look to raise this with IR as noted in our submission.

The definition of QROPs accumulation remains unchanged from the Bill and we may wish to raise this with the Minister of Revenue.

The risks around one parent signing on behalf of a minor was not picked up. This may be a point for Minister Willis or a letter to David Seymour/Ministry for Regulation/Report a Red Tape Issue.