

From: Nick.Combs@fma.govt.nz
To: [REDACTED]
Subject: RE: Kiwisaver Fees GST CRM:032001303
Date: Tuesday, 4 October 2022 1:52:42 pm

Hi [REDACTED]

Thanks for your enquiry below. You refer to a model recently developed by the FMA to estimate the projected impact on aggregate KiwiSaver funds of charging GST on KiwiSaver management fees. We understand you seek information on what the model projects will be the impact of fees charged by managers on aggregate KiwiSaver funds by the year 2070.

Our model was not built to calculate projected fees or their impact, and the FMA does not hold KiwiSaver fee projection information more generally, so I confirm we do not hold the information you seek. (In terms of the Official Information Act we are therefore refusing to provide the information on the basis of s 18(g) of the OIA – ‘information requested is not held’. We also note that you have the right to complain to the Ombudsman about our decision on your information request in accordance with s 28 of the Official Information Act. Information about how to make a complaint is available at www.ombudsman.parliament.nz or phone 0800 802 602.)

While I cannot specifically answer your question, I can point you to some information that may be of interest to you about KiwiSaver fees:

As noted in the FMA’s [KiwiSaver Annual Report for 2022](#), total fees paid to KiwiSaver providers in the year to 31 March 2022 were \$692.6m. Those fees were charged on total KiwiSaver funds under management which were \$89.7b at year end (\$81.6b for the year prior). That is 0.81% compared to the average of the year-end balances. The report (page 14) also shows total fees paid^[1] by KiwiSaver members each year dating back to 2017.

The \$225m GST estimated by IRD as likely to have been charged on management fees:

- was for the first year after commencement of the GST charge, i.e., 31 March 2026. That is, after 4 years of growth assumed at 10% per year (a combination of the effects of returns, contributions, withdrawals, fees, charges, and taxes).
- was also based on both KiwiSaver and non-KiwiSaver funds. As noted above, actual KiwiSaver fees at March 2022 were \$692.6. Using publicly available data for fund balances from the Disclose register as at March 2021, fees for the year to March 2022 could be estimated to be about \$925m (\$76.4b * 1.21%). So, the sum of KiwiSaver and non-KiwiSaver fees paid in the year to March 2022 could be estimated to be about \$1.6b.

I hope that gives you some sense of the level of current fees charged in exchange for investment management services.

Kind regards
Nick

[1] Note, this table includes management fees, administration fees, supervisor fees, and other

scheme expenses. The \$692.6m figure includes just management fees and administration fees.

From: [REDACTED]
Sent: Tuesday, 13 September 2022 12:00 pm
To: questions@fma.govt.nz; questions@fma.govt.nz; questions@fma.govt.nz
Subject: Kiwisaver Fees GST

Dear FMA,

In a recent news story on the aborted changes to close the tax loophole by adding GST to certain Kiwisaver fees (<https://www.rnz.co.nz/news/national/473783/plan-to-charge-gst-on-kiwisaver-fees-a-wealth-tax-fund-manager>) it was reported that "Financial Markets Authority modelling showed [the proposed changes] could also shave an estimated \$103 billion from KiwiSaver funds by 2070."

By my calculation, \$225M pa of expected GST implies there are about \$1.5B pa in fees going to the big overseas banks and funds which are currently escaping GST. Can you please tell me how much your model says that \$1.5B pa diverted from Kiwisaver is already shaving from KiwiSaver funds by 2070?

Thank you and regards,
[REDACTED]

^[1] Note, this table includes management fees, administration fees, supervisor fees, and other scheme expenses. The \$692.6m figure includes just management fees and administration fees.