

# Government Superannuation Fund

## Schemes Administration Newsletter

### CHANGES TO TAX LEGISLATION and EMPLOYER CONTRIBUTION RATE

### ACTION REQUIRED – DO NOT IGNORE



Employer Update

March 2023

### GSF Employer Contributions from 1 July 2023

We are writing to:

- let you know about recent [legislative changes](#) to employer superannuation contribution tax (ESCT) rates; and
- confirm [employer contribution rates for GSF](#) are changing from **1 July 2023**.

Explanation of these two changes is provided below.

### LEGISLATIVE CHANGES TO ESCT RATES

There have been two legislative changes regarding ESCT rates applying to defined benefit schemes in the last two years. Both changes are effective from 1 April 2021. The second legislative change replaces the first legislative change.

#### 1. *First legislative change*

The first legislative change to ESCT was passed on 1 April 2021 (*the Taxation (Income Tax Rate and Other Amendments) Act 2020*). As a result, the ESCT rate applying to employer contributions to defined benefit superannuation schemes, such as GSF, was increased from 33% to 39% with effect from 1 April 2021.

#### 2. *Second legislative change*

The second legislative change to ESCT was passed on 30 March 2022 (*the Taxation (Annual Rates for 2021–22, GST, and Remedial Matters) Act 2022*). This change is effective from (backdated to) 1 April 2021 and replaces the first legislative change.

This second legislative change provides for different ESCT rates for defined benefit superannuation schemes, not just one flat rate of ESCT. Under this change, from 1 April 2021, ESCT rates for defined benefit superannuation schemes may be determined by reference to an individual employee's income, at 33% or at 39%.

It is up to each employer to correctly calculate the ESCT payable by them to Inland Revenue.

## EMPLOYER CONTRIBUTIONS TO GSF

### What this means to you

As a **funding employer**, we confirm you are required to pay employer contribution rates to GSF net of ESCT.

The ESCT rate for GSF advised to you with effect from 1 July 2022 was inclusive of ESCT at 39%.

From 1 July 2023, your organisation will be required to:

- implement the new net employer contribution rates for GSF for the 2023/2024 financial year – Datacom will write to you with your new net of ESCT employer contribution rate in March 2023; and
- determine the appropriate ESCT amount payable by your organisation to Inland Revenue.

Please note you may need to make changes to your payroll system so you can make the correct payments to GSF and the Inland Revenue. Your payroll system will need to correctly calculate the **net** employer contribution rate payable to GSF and to correctly calculate the ESCT payment due to Inland Revenue.

### Contact Details

If you have any questions about the GSF schemes, please contact us and we will be happy to assist. If possible, please quote your GSF employer number when contacting us.

### Datacom, GSF Schemes Administration

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### Disclaimer

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