

10 October 2005

Taxation of Investment Income

“The Investment Savings and Investment Association of New Zealand (ISI) has released its submission in response to the Government’s discussion document *Taxation of Investment Income*” says Vance Arkinstall, CEO.

“Reform of the taxation of savings is essential to remove the distortions that currently penalise saving through managed funds, and to also balance the advantages that the current regime provides for direct equity investment. The industry has long been calling for change to achieve neutrality”, Vance Arkinstall said.

“The submission carries the support of all ISI members, and reaching such a high level of consensus within an industry as diversified and competitive as this is no small feat. This should be accepted by Government as a strong message of the importance this industry places on the need for taxation reforms to create neutrality for savings” Mr Arkinstall said.

“The ISI response to the discussion document supports many matters proposed, in particular the proposal to elect into a ‘flow through’ regime and the removal of tax on capital gains for domestic equity investment are welcome.”

ISI is, however, strongly opposed to the proposed regime for the taxation of offshore portfolio equity investment. We are concerned at a “principles” level that these proposals will result in over-taxation of offshore investment and create distortions between different types of investment. This aspect of the discussion document will undermine neutrality and diversification of investment and cannot be permitted to be introduced in the form proposed” said Vance Arkinstall. “The proposal for taxation of international equities must be significantly revised if it is to gain any support and the ISI submission puts forward recommendations for consideration.”

“ISI has also presented a proposal that would enable saving through life insurance policies to be included in the reforms.”

For further information contact:
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