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GST WILL DISADVANTAGE SAVERS

"The Government Discussion Document released last week raises the prospect of applying GST on the management fees of savings through managed funds. This prospect should be of major concern to all New Zealanders, said Vance Arkininstall, Chief Executive of Investment Savings and Insurance Association.

New Zealand already has the lowest personal savings rate of all OECD countries. Rather than increasing the cost of saving for New Zealanders, we need to be directing our energy to making it easier and more attractive to save, said Mr Arkininstall.

The thought that GST may be applied to the management fees of unit trusts but not to superannuation products raises divisions and distortions that make little sense. The funds management industry has come a long way in improving the transparency of its products for the benefit of savers. It would be a retrograde step if, in order to provide the best possible return to savers, it was forced to bundle its fees to escape GST, said Mr Arkininstall.

The application of GST is almost certain to result in increased costs to the saver. This increase in cost would take place at a time when we face lower returns as a result of lower interest rates and low inflation. In this environment why would anyone want to make it more difficult for saving in managed fund products, Mr Arkininstall said.

The Investment and savings industry will be making strong representations in its submission that GST is not in the interests of encouraging New Zealanders to save.

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