

19 November, 1998

"The defeat of the TOLIS legislation and the failure of the MMP process to identify any acceptable alternative has resulted in politicians sending a most unfortunate signal particularly to low income savers," said Mr Vance Arkinstall, Acting Chief Executive of the Investment Savings and Insurance Association.

"The industry is outraged that 3 years after a working group was established the basic problem of removing this taxation disadvantage to low and middle income savers, saving for retirement has still not been addressed. We have consistently pressed Government on the urgency of this issue."

The Tax Credit System was never the industry's preferred option due to its complexity and high implementation costs, but we supported the Government and Treasury department theories because we were keen to see assistance for low and middle income savers and because of the urgent need for progress. The Tax Credit System was at best only a step towards a more ideal answer," Mr Arkinstall said.

"The failure of Government to deliver this legislation is disappointing as are the actions of NZ First who were involved in drafting the original legislation and as recently as 28 October confirmed their support."

It is difficult to understand the signals being sent by the other political parties who could not put up a viable alternative but who choose to ignore this opportunity to assist 600,000 savers who could have benefited," Mr Arkinstall said.

"It is interesting to observe that Governments in many other countries have recognised the fiscal risks of an ageing population and have introduced policies to encourage savings. In New Zealand we operate a voluntary savings regime which is not working. We make ad hoc changes to New Zealand Superannuation and we have a tax system that imposes a 50% tax levy on low income savers. It is time politicians came to grips with reality," said Mr Arkinstall.

"The Government must now direct its efforts towards working with opposition parties and the industry to establish a long term policy that will give certainty for people saving for their own retirement."

"Whilst disappointed that after such a long lead up time TOLIS has come to nothing, the industry will continue to press Government to urgently seek an acceptable solution for a simplified taxation system and the removal of barriers to savings," Mr Arkinstall said.

"The question is will the Government deliver on the assurance contained in the media release of 3 July 1998."

*"The Government has however agreed that if it proves that the Tax Credit option cannot be made available for the year commencing 1 April 1998, a flat rate lower than 33 per cent will be adopted temporarily until the Tax Credit option is available."*

"It is essential that Government sends a very clear message regarding the importance of saving for retirement and that it moves quickly to remove savings disincentives such as this. The current signals are very ambiguous", said Mr Arkinstall.

For further information contact:

Vance Arkinstall  
Acting Chief Executive  
Investment Savings and Insurance Association