

19 May 2005

SAVINGS INDUSTRY PLEASED THAT CALL FOR TAXATION NEUTRALITY HAS BEEN ANSWERED

“The savings industry welcomes the tax changes to collective investments announced by the Minister of Finance”, said Vance Arkininstall, CEO, Investment Savings & Insurance Association.

“The changes will see an important boost to tax neutrality and the benefits will flow directly to New Zealand savers investing in managed funds”, said Mr Arkininstall.

“The removal of tax on realised capital gains for domestically invested unit trusts, superannuation funds and other collective investment vehicles, will remove a distortion that has acted against the interests of many savers”, Vance Arkininstall said.

“The option for managed funds to tax individual investors at their correct marginal tax rate will introduce healthy competitive tension within product providers and will particularly advantage lower rate tax payers who are currently overtaxed.”

“The benefit of these changes will flow directly to individual savers and will remove long standing distortions. Investors now will be able to consider various investment options on the basis of the investment proposition and not be influenced by taxation distortions”, said Mr Arkininstall.

“There is no doubt that savings decisions in NZ have been held back or influenced by the lack of a neutral taxation environment. The changes announced by the Minister of Finance will encourage greater diversification of investment and assist competition, which will benefit NZ savers”, Vance Arkininstall said.

“The industry recognises that work is continuing on taxation of international investments and looks forward to the opportunity to work with Government and Officials. The important overriding consideration is that we do not introduce a regime for the taxation of international investment that creates new distortions in favour of NZ based investment. As a small country the value of a balanced approach with wide diversification including international investment cannot be over estimated. The solution must balance this need with the revenue requirements of Government. Balance and fairness are the keys”, said Mr Arkininstall.

For further information contact:
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