

23 May, 2002

SUPER

"The Budget's lack of commitment to encourage increased personal savings levels is a disappointment," said Vance Arkinstall, CEO, Investment Savings & Insurance Association.

"The Minister has consistently indicated a wish to encourage higher levels of private savings particularly through workbased superannuation schemes. The Budget provided the opportunity to tell the Nation what the Government would do but has missed that chance, electing instead to describe what might happen," Mr Arkinstall said.

Moves to reduce the employer specified superannuation contribution withholding tax for those earning under \$38,000 will reduce the over taxation currently suffered by the low income earners on the 19.5% marginal tax rate. However, the number of individuals who will benefit will be low.

The Minister's second alternative of cascading the current 6 cent tax concession enjoyed by those earning over \$60,000 to middle and lower income earners will provide a small tax advantage to middle income earners on the 33% marginal rate. This would be a small but positive encouragement in the right direction. However, this incentive alone will not be sufficient to produce any major change in savings habits, said Mr Arkinstall.

The Budget's dismissal of upfront tax incentives for superannuation flies in the face of the approach taken in virtually all developed western nations.

If we are serious about increasing private savings then upfront tax incentives with appropriate controls must be part of the solution. Anything less will not achieve the kick-start to a savings ethic that this country needs, Mr Arkinstall said.

Surveys undertaken by the industry clearly show that the public is seeking certainty around New Zealand Superannuation and incentives to encourage private savings.

Ends

Vance Arkinstall
Chief Executive
ISI

[Back to Top](#)