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AD HOC CHANGES TO TAX SYSTEM NOT THE ANSWER

The Investment Savings & Insurance Association would not support moves to fund tax cuts by increasing the rate of GST Chief Executive Vance Arkinstall said today.

"There are major problems and inefficiencies with the current taxation system, which will not be addressed by this ad hoc change. We applaud any moves to reduce personal tax levels but these should be considered only as part of a comprehensive review and reform of our taxation system," said Mr Arkinstall.

"The current system is widely acknowledged as containing a raft of disincentives and inequities and changing the rate of GST will do nothing to solve these.

"Companies operating in the savings industry, for example, do not compete on a level playing field with other investment options and there are currently a number of taxation anomalies that act to discourage savings. These issues must be addressed as part of a general review," Mr Arkinstall said.

"New Zealand faces a significant structural problem of too much investment in residential housing and too little savings. Last Friday's confirmation of a growing current account deficit is evidence of our reliance on other countries' savings to fund current needs. We need to see positive steps taken by the Government to encourage increased savings, which benefit individuals and the country as a whole."

"We urge politicians to place increased importance on the need to remove savings disincentives which will increase savings levels, improve our serious current account position and reduce New Zealanders reliance on New Zealand Superannuation as their sole source of retirement income."

The ISI last year released the *ISI Report on Retirement Savings: A Wake-Up Call*, which identified the importance of a stable policy framework to ensure NZ Super was sustainable and affordable over the long term. An efficient taxation system was one of six key policy areas that the ISI recommended the Government take action in.

"Simply increasing GST to fund lower personal tax rates without other major taxation reform will not solve the fundamental problems that beset our economy and which will only be aggravated as baby boomers begin to retire in the next 10-15 years," Mr Arkinstall said.

Ends

Vance Arkinstall
Chief Executive
ISI