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REVIEW OF TAXATION OF LIFE INSURANCE WELCOMED BY INDUSTRY

“The industry welcomes today’s joint announcement by Ministers, Finance – Minister Cullen and Revenue – Minister Dunne, that a review of taxation of life insurance is to be undertaken”, said Vance Arkinstall, CEO, Investment, Savings & Insurance Association.

“Whilst we would have preferred to see life insurance policies with a savings component included in the Tax Bill that is currently before the Finance and Expenditure Committee, we also understand that life insurance is a large and complex issue in its own right that is overdue for review”, said Vance Arkinstall.

“It is our expectation that the review will extend the exemption for tax on capital gains to life insurance savings in the same manner that is being introduced for unit trusts and superannuation plans”, Vance Arkinstall said.

“Savings through managed funds and life insurance has long been disadvantaged by the tax system and in comparison with direct investment in equities. It is great to think that those disadvantages may soon be removed and that these products will then compete from a neutral tax position with all savings options”, said Vance Arkinstall.

“The benefits of improvements to the taxation of life insurance policies can be expected to flow through to policy holders further improving the investment return these policies provide”, Vance Arkinstall said.

“We also expect the review to include annuities which have also operated from a disadvantaged tax position. As we build increasing personal savings in New Zealand people will turn to annuities to provide a steady and consistent income stream in retirement. Changes to the taxation of annuities will be essential to achieve that objective”, said Vance Arkinstall.

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