

**Submission by
Financial Planners and Insurance Advisers Association Incorporated (FPIA)**

Taxation of Investment Income

The Financial Planners & Insurance Advisers Association is New Zealand's largest professional body for Financial Intermediaries, representing over 1300 financial advisers nationwide.

The Association's primary focus is to improve and enhance the professional status of financial planners and insurance advisers, and to advance the interests of members and their clients.

The FPIA aims to

- raise advisory standards in ethics and professional conduct
- provide education standards designed to inspire greater confidence and trust between advisers and the public
- identify and serve the needs and interests of members



Financial Planners & Insurance Advisers
Association Incorporated

The Deputy Commissioner
Taxation of Investment Income
Policy Advice Division
Inland Revenue Department
PO Box 2188
WELLINGTON

policy.webmaster@ird.govt.nz

Attention the Deputy Commissioner

Dear Sir/Madam

Submission – Taxation of Investment Income

Please find attached our submission on the Government Discussion Document of June 2005.

The Association is keen to support our submission by participating in any further discussion forum.

The Association does not seek to have any part of our submission withheld for privacy reasons.

Yours sincerely

Ross Butler
CHIEF EXECUTIVE OFFICER

1. The FPIA strongly supports initiatives by Government to encourage New Zealanders to save for their retirement and other needs. We also applaud activities undertaken by Government agencies such as the Retirement Commission to improve financial literacy generally, and to get New Zealanders thinking about issues such as

- risk and return
- diversification
- the impact of fees, charges and tax
- investment planning and reviews

In many cases where there is an appropriate client risk profile, a good financial plan will stress the need for diversification into markets other than New Zealand to take advantage of international investment opportunities and to help manage risk. While a sound financial plan should be cognisant of tax issues and implications, it should not be driven by tax.

FPIA is therefore opposed to any proposal whereby capital gains on international investments would be taxed, while gain on local investments would not. We believe that this could encourage New Zealanders to have a portfolio overweight in New Zealand investments, exposing them to inappropriate levels of risk and perhaps to inappropriate local investment products. This risk is exacerbated by the small size of the New Zealand investment market (in comparison with global markets) and by other limiting features of our investment market.

2. FPIA supports submissions from organisations such as Asfonz relating to the taxation of investments generally. In particular, we support principles that

- the investor's final tax paid should approximate the tax they would have paid if they directly owned the investment
- there should be no discriminatory treatment based on what country any investment is resident in
- there should be no tax discrimination on whether the collective investment is superannuation, a unit trust, a group investment fund, or a life fund