

Govt reconsiders tax on life insurance

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By Rob Hosking

Life insurance might yet be included in the tax legislation currently before Parliament.

Life products were originally to be included in the reforms to the investment taxation laws, and were included in a 2003 discussion document on the issue.

They were however left out of the legislation introduced to Parliament in May this year, because the issue was seen as too difficult and would hold up the other parts of the change needed to be implemented in time for KiwiSaver's launch on April 1.

As reported in June, the government still planned to deal with insurance, but not until next year.

Approached about the issue by Good Returns, Revenue Minister Peter Dunne said the government is reconsidering this. "The government is considering whether to include life insurance within the scope of the proposed changes for taxing portfolio investment entities - or 'PIEs', and ministers hope to be able to announce a decision shortly," Dunne said through a spokesman.

The Insurance Savings and Investment Association has however been pushing for at least some of the life products to be included in the taxation reforms.

Life products already have something of a tax disadvantage as a savings vehicle: the fear is that unless there is some move in the current legislation they will be further disadvantaged.
