

Your guide to the Portfolio Investment Entity (PIE) Regime

Whether you are an experienced investor, or just starting out, investing in a PIE may provide you with tax advantages.

What is a PIE?

A Portfolio Investment Entity or PIE is an entity (including a managed fund) which meets the IRD's qualifying criteria. Individual funds need to elect to become a PIE. Investors in a PIE are taxed at their Prescribed Investor Rate (PIR).

What is a PIR?

Similar to your marginal tax rate, this is the rate at which any income you earn in a PIE is taxed. One important difference is that there is a cap on the tax at 28% compared to a top personal marginal tax rate of 39%.

If you have provided your IRD number with your correct PIR, and your PIR is not 0%, then you do not need to include the PIE income in your income tax return.

How do I supply my PIR?

You need to advise us of both your PIR and your IRD number otherwise we apply the default PIR of 28%. Make sure you tell us if your situation changes and you need to swap to a different PIR. If the advised PIR is lower than your correct PIR, you may need to pay any tax shortfall, interest and penalties. If the advised PIR is higher than your correct PIR, then for the 2020/21 and future income years any overpayment of PIE tax may reduce your income tax liability for that income year and may give rise to a tax refund.

We will also send you an annual summary of income from any Forsyth Barr PIEs. This will help you check that you are still eligible for the PIR rate you have previously notified to us.

Changing your PIR is easy, you can update it by contacting your Financial Adviser and requesting a change of details form.

The Inland Revenue may also instruct us to update the PIR on your account if their records indicate a change is required. We are obliged to apply this PIR to your account and will send you a confirmation that this has occurred. We will apply this PIR unless you subsequently notify us of a different PIR.

How do I know what my PIR is?

We recommend that you seek specialist advice from your taxation advisor but the chart on the next page may assist you to determine your PIR.

Which Forsyth Barr Products are PIEs?

Recognising the advantages that PIEs offer to clients, we have ensured that Octagon Investment Funds and the Summer KiwiSaver scheme meet the PIE criteria. The PIE compliant range of Octagon Investment Funds cover a number of sectors, including New Zealand equities, Australian equities, global equities, fixed interest and listed property.

Each Fund is taxed as a multi-rate PIE. A share of the PIE's taxable income (or loss) is allocated to you based on your interest in the Fund. The Fund pays tax on your share of this income at your notified Prescribed Investor Rate ('PIR').

Tell me about the capital gain advantages of a PIE?

Investing in a PIE can provide tax advantages relative to direct investment. Capital gains made by the Funds on most investments in New Zealand shares, and most Australian listed shares, are not taxable irrespective of the level of trading undertaken (dividends on those shares are taxable).

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For more information please call us on 0800 367 227 or visit forsythbarr.co.nz

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How to work out your Prescribed Investor Rate (PIR)

There are four rates that can apply to an investor who has also provided their IRD number: 0%, 10.5%, 17.5% and 28%. Use the chart below to identify the correct rate for your circumstances.

Resident individual investor

Note: the income details are for the two income years prior to the tax year the PIR is to be applied to.

In EITHER of the last two income years was your taxable income \$14,000 or less and your taxable income plus your Portfolio Investment Entity (PIE) income, or less your PIE loss, \$48,000 or less.

YES

Your PIR is 10.5%

NO

In EITHER of the last two income years was your taxable income \$48,000 or less and your taxable income plus your PIE income, or less your PIE loss, \$70,000 or less.

YES

Your PIR is 17.5%

NO

In all other cases: Your PIR is 28%

Non-resident investor: Your PIR is 28%

Company, incorporated society or Portfolio Investment Entity (PIE): Your PIR is 0%

Superfund and trustees (excluding charitable trusts): You can choose a PIR of either 28%, 17.5% or 0% to best suit your beneficiaries. NOTE: Trustees of testamentary trusts may also choose 10.5%.

Registered charitable trust: Your PIR is 0%

Joint investment partnership, or unincorporated societies:* Each joint holder determines their individual PIR. The highest rate will be applied to the investment.

* If you are an investor in a Forsyth Barr PIE, please discuss your PIR rate with your Forsyth Barr Investment Adviser. We may be able to apply an average rate to your PIE income.

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