

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 a managed fund which meets the IRD's qualifying criteria. Individual funds need to elect to become a PIE and the regime commenced on 1 October 2007. 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 30% compared to a top personal marginal tax rate of 38%.

PIE income is not taxable as it is paid to you after the relevant PIE fund has deducted tax for you at your PIR rate.

How do I supply my PIR?

You need to provide us with your IRD number and the PIR at which you wish your investment to have any income deducted. Your Investment Advisor can assist you with the completion of the appropriate form.

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.

What do I do if my account is joint?

Forsyth Barr has structured its Cash Management Trust and Investment Fund PIEs to assist joint investors allocate income between the account holders. If you invest jointly,

on your PIR form you will need to complete the information for each party including confirmation that both parties hold a 50/50 interest in the investment. Not all PIEs have been structured this way and some may default income to one investor. We recommend you check this point carefully for any other PIEs in which you may invest.

Do I need to tell you if my rate changes?

Yes you do. Please notify us at any time during the year and we will update our records. We will also send you an annual summary of income from any Forsyth Barr PIEs. This will provide you with the information you need to ensure that you are still eligible for the PIR rate you have previously notified to us.

Which Forsyth Barr Products are PIEs?

Recognising the advantages that PIEs offer to clients, we have ensured that the Forsyth Barr Cash Management Trust, the Forsyth Barr Investment Funds and the Forsyth Barr KiwiSaver Scheme meet the PIE criteria. The PIE compliant range of Forsyth Barr Investment Funds cover a number of sectors, including New Zealand equities, Australian equities, global equities, fixed interest, local authorities, listed property and socially responsible investments.

Tell me about the capital gain advantages of a PIE?

Any capital gains made on listed New Zealand resident companies or listed Australian resident companies on an approved index of the ASX will not be taxable, irrespective of the level of trading conducted. This clearly has some performance advantages.

Any questions?

Your Investment Advisor will be happy to talk through the benefits of PIE relative to your existing investment program. **Please contact them on 0800 Forbar (0800 367 227).**

How to work out your Prescribed Investor Rate (PIR)

Resident individual investor

Note: the income details are for the two income years prior to the income 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.



Your PIR is **12.5%**



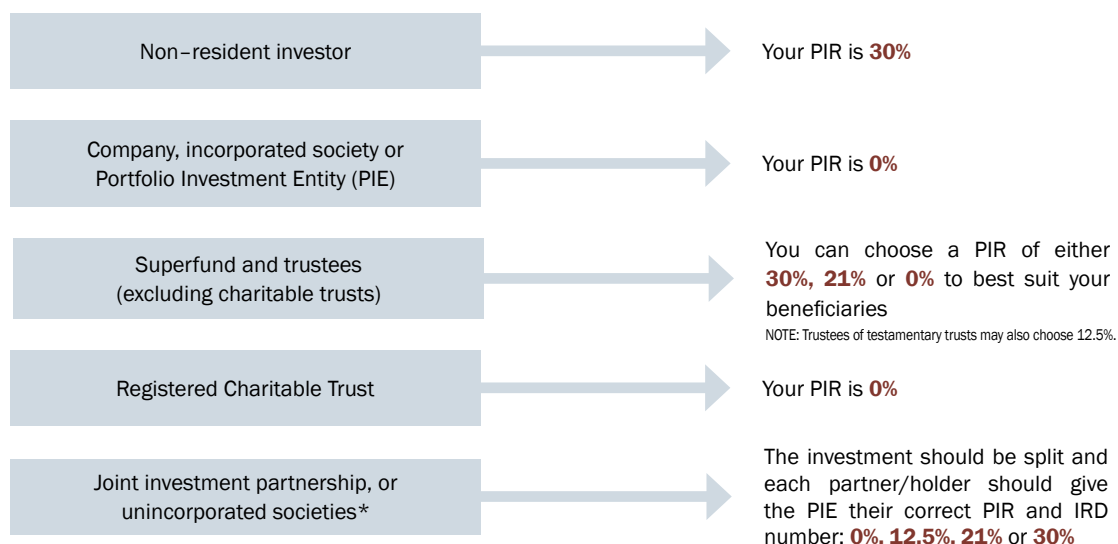
In EITHER of the last two income years was your taxable income \$48,000 or less and your taxable income plus your PIE income, or less your PIE loss, \$70,000 or less.



Your PIR is **21%**



In all other cases your PIR is **30%**



*If you are an investor in a Forsyth Barr PIE, please discuss your PIR rate with your Investment Advisor. We may be able to apply an average rate to your PIE income. A copy of the Prospectus and Investment Statement for the Forsyth Barr Cash Management Trust, Forsyth Barr KiwiSaver Scheme and any of the Forsyth Barr Investment Funds can be obtained from any of our offices or by calling 0800 Forbar (0800 367 227).



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