

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 33%.

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%. You must tell us every time your PIR changes. We will remind you annually to check the rate. The IRD may tell us to apply another PIR to you. Your Forsyth Barr Authorised Financial Adviser 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.

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 help you check 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 Investment Funds and the Summer 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 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').

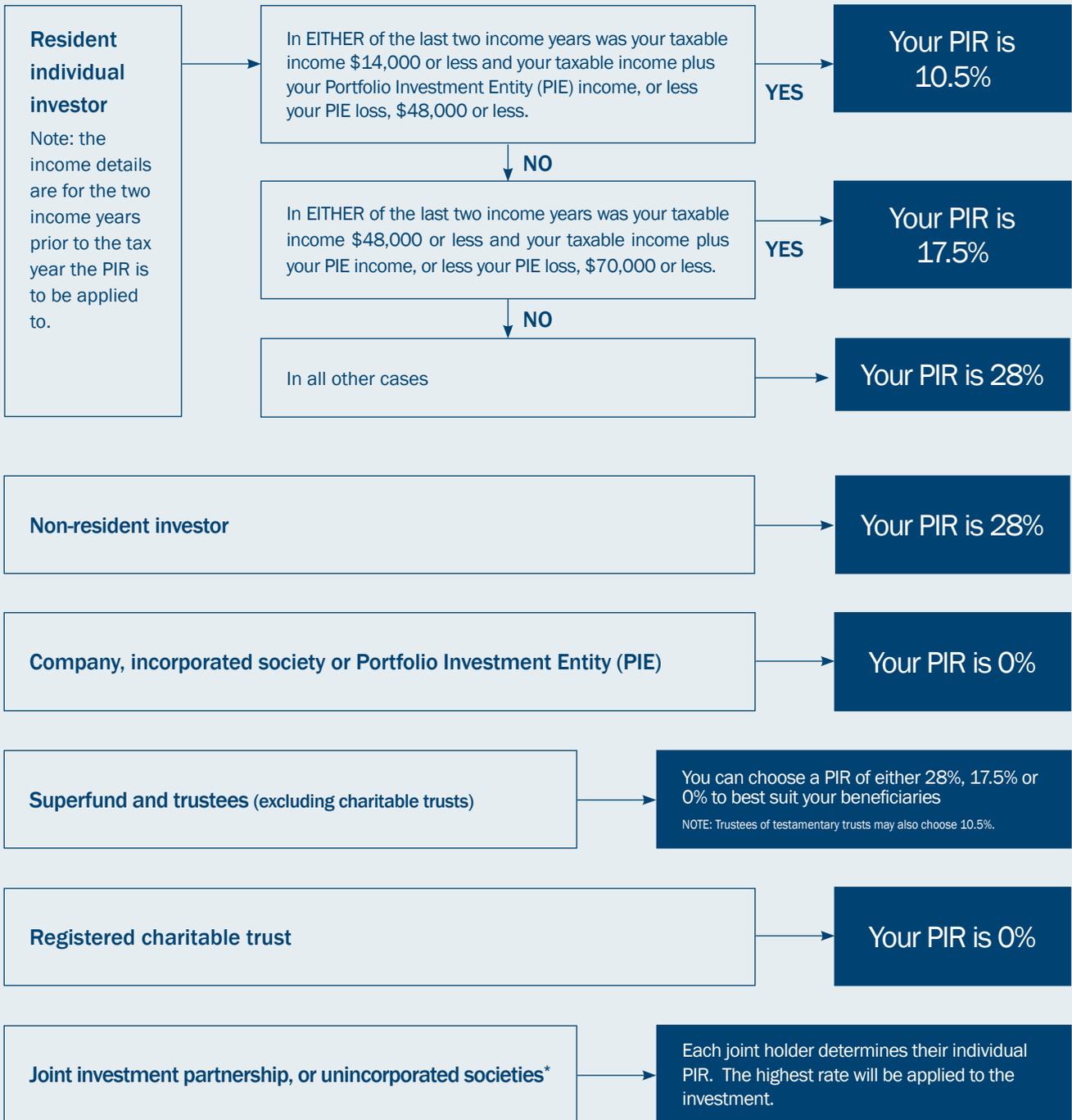
Tell me about the capital gain advantages of a PIE?

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).

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.



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

Disclosure Statements for Forsyth Barr Authorised Financial Advisers are available on request and free of charge. Forsyth Barr Limited and its related companies (and their respective officers, agents, and employees) ('Forsyth Barr') have prepared this publication in good faith based on information obtained from other sources, and Forsyth Barr does not guarantee the accuracy of that information. Forsyth Barr does not make any representation or warranty (express or implied) that this publication is accurate, complete, or current and disclaims any liability for loss which may be incurred by any person relying on this publication. This publication should not be construed as making a recommendation or giving an opinion in relation to acquiring or disposing of (including refraining from acquiring or disposing of) any financial product. Copies of the Product Disclosure Statements for the Forsyth Barr Investment Funds and the Summer KiwiSaver scheme are available from any of our offices, by contacting your Forsyth Barr Authorised Financial Adviser, or by calling 0800 367 227. We recommend you review your investments and seek specialist advice on any taxation aspects.