Information for resident individuals who invest in PIEs

This factsheet helps you understand your tax obligations as a resident individual when investing in a portfolio investment entity (PIE).

A portfolio investment entity (PIE)—such as a managed fund—invests the contributions from investors in different types of investments.

Entities that meet the eligibility requirements can elect to become a PIE if they are a:

- managed fund, such as a:
  - unit trust, or
  - superannuation fund
- company
- benefit fund
- life fund
- group investment fund.

How PIEs calculate tax

Most PIEs will calculate their tax based on the prescribed investor rate (PIR) provided by their investors rather than at the entity's tax rate. This type of PIE is called a multi-rate PIE (MRP).

PIEs that are not MRPs include:

- listed PIEs
- benefit fund PIEs
- certain life fund PIEs.

These PIEs don't calculate their tax using their investors' PIR. Instead, their tax is calculated using the entity's basic tax rate.

Two new types of MRP have been introduced:

- a foreign investment zero-rate PIE (zero-rate PIE)
- a foreign investment variable-rate PIE (variable-rate PIE)

What is a prescribed investor rate (PIR)?

The PIR for resident individuals is a prescribed rate based on your taxable income in the last two income years, eg, income from salary, wages and any additional sources of income you would include in your income tax return. PIE attributed income will also be taken into account.

The prescribed rates are 10.5%, 17.5% and 28%.

You **must** notify your PIE of the rate that applies to you. If an incorrect rate is applied to the income on your investment it will be taxed incorrectly, which may result in further tax to pay and penalties being considered.

Where you notify the actual rate that applies to your income attributed by the MRP, do not include the income in your tax return.

You also need to provide your IRD number.

What happens if you don't notify the multi-rate PIE?

If you don't provide the MRP with your PIR and/or your IRD number, the MRP will deduct PIE tax at the rate of 28% which may be higher than your actual PIR.

If the 28% rate has been applied by the MRP to your attributed income, but you should have had a lower PIR (10.5% or 17.5%), **you can't include the attributed income in your income tax return to get a refund of the balance.**

When a zero rate may be applied for an individual

A resident individual who has notified a PIR of 10.5%, 17.5% or 28% may be taxed at a zero rate by an MRP that files returns using the quarterly option, when the individual investor exits the MRP during a quarter.

A transitional resident who invests in a zero-rate PIE can also have a 0% PIR.

There are no other situations where you may have a zero rate applied.

How do I calculate the PIR that applies to me?

Your PIR is determined based on either or both of the last two years' income. For example, to determine your PIR income for the 2013 income year you use the income details for 2011 and 2012.

Note: most individuals have a 31 March income year.

New Zealand resident investors in the zero-rate or variable-rate PIEs won't see any difference, unless they're a new resident or a transitional resident. A transitional resident in a zero-rate PIE can notify the 0% PIR for each year they're a transitional resident.

From 1 April 2012 all transitional residents who aren't an investor in a zero-rate PIE, are required to include their worldwide income when determining their PIR. Income that is excluded for income tax purposes has to be included when determining the investor's PIR.

If in either of the two income years:

your taxable income was ...	and your taxable income plus your PIE income/loss was ...	before the relevant tax year for ...	then your PIR is ...
$0 – $14,000	$0 – $48,000	Either year	10.5%
	$48,001 – $70,000	Either year	17.5%
$14,001 – $48,000	$0 – $70,000	Either year	17.5%
$48,001 or more	Any amount	Each year	28%
Any amount	$70,001 or more	Each year	28%

New residents refer to "Arriving or leaving New Zealand and your PIR" in the right-hand column.

IRD numbers

You must provide your IRD number within one month of a request from the MRP. If you don't provide your IRD number within that time, the rate of 28% will be applied to your income attributed by the MRP, which may be higher than your actual rate.

Ceasing to be represented by a proxy

If you're represented by a PIE investor proxy and then you cease to be represented by that proxy, their obligations will pass directly to the MRP that holds your investment. You should notify the MRP of your correct PIR and IRD number.

Receiving details of your MRP income for calculating your PIR

Generally, MRPs need to provide the information by 31 May or 30 June following the tax year.

If you withdraw your investment from an MRP that files returns using the quarterly option and zero-rates exiting investors, the MRP has to provide the information within one month of the end of the quarter in which you exited.

If you don't receive any details from your MRP or you think the investor statement is wrong, you need to contact the MRP.

Companies listed on the New Zealand stock exchange may send a dividend statement to their investors.

Where there is a rate change during a year you may receive two investor statements, one for each rate applied during the year.

Arriving or leaving New Zealand and your PIR

If you're a New Zealand resident individual who has invested in an MRP and you then cease to be resident, you should have a PIR of 28% from the date you leave New Zealand. You should tell the MRP of the change as soon as possible.

Pre-April 2012

If you were a non-resident individual without New Zealand sourced income and then become a New Zealand resident before 1 April 2012, you can use a PIR of 10.5% for the two tax years after arriving in New Zealand.

If you were a non-resident individual, with an existing investment in an MRP or other New Zealand sourced income, and you become a New Zealand resident, you need to use the chart (opposite) to determine your rate.

1 April 2012 and future years

If you become a resident of New Zealand on or after 1 April 2012, you'll need to include your worldwide income when determining your PIR. However, you may choose not to include your worldwide income for either or both of the income years, if you reasonably expect your taxable income in either of the first two years as a resident will be significantly lower than your total income from all sources for the previous income year(s). In this case the PIE income is no longer excluded income and if it's more than $200 it must be included in your income tax return.

For change of residency of a notified foreign investor refer to pages 4 and 5.

Record-keeping requirements

If your MRP income is taxed at your actual PIR it isn't included in your tax return. You don't have to keep records.

If the MRP income has been taxed at a zero rate on exiting the MRP or if you have given the MRP a PIR lower than your actual rate, you must keep your records relating to that income for seven years for tax purposes.

Income attributed by the MRP

Where your income attributed by the MRP:

- has been taxed at your actual PIR, and
- you haven't had a zero rate applied in a quarter on exit from an MRP that files returns using the quarterly option

your MRP income **isn't included** in your income tax return.

Where you have:

- applied a PIR that is lower than your correct PIR, or
- had a zero rate applied in a quarter on exit from an MRP that files returns using the quarterly option
- as a new resident chosen not to include your worldwide income

your MRP income **must be included** in your income tax return unless the income when combined with other investment income you may have, eg, bank interest, is less than $200.

Where the MRP income has been taxed at a rate lower than your actual rate, the tax already deducted by the MRP can be used as a tax credit.

Working for Families Tax Credits

For the 2012 and future income years, income attributed from a PIE that isn't a retirement scheme or superannuation fund (locked-in PIE) is taken into account for Working for Families Tax Credits (WfFTC) purposes. The PIE income won't generally need to be included for income tax purposes but will need to be shown on the **Adjust your income - IR215**.

PIEs that aren't locked-in funds are required to provide the PIE income details by 31 May each year.

If the PIE income is already included in your taxable income then you don't need to show it on the adjustment form. However, if your PIE income is included in your taxable income and the PIE fund is a locked-in fund then you can exclude the income for WfFTC using the same IR215 form.

If you receive a dividend from a PIE that is a listed company that doesn't use your PIR the dividend is now included in the family scheme income. If you don't include the dividend in your income tax return, you'll need to show it on the same IR215 form.

These dividends are not liable for RWT.

Student loans

For the 2015 and future income years, income attributed from a PIE that isn't a retirement savings scheme or superannuation fund (locked-in PIE such as KiwiSaver) is taken into account to determine your student loan repayment obligation.

Locked-in PIE income you have declared in your return

If you have included income from a locked-in PIE on your IR3 then for:

- WfFTC purposes from 2011,
- student loan purposes from 2015

you can exclude it from your income by completing the IR215.

Income tested benefits

All investments are cash assets for benefit purposes. Any income received from an investment is charged as income for benefit purposes. Capital gains from managed funds are not income.

Income earned through a PIE, may affect both entitlements to WfFTC and assistance provided by Work and Income such as Accommodation Supplement and Childcare Assistance.

Returns on funds in KiwiSaver and other superannuation schemes aren't treated as chargeable income or cash assets for benefit purposes while these funds are locked into the scheme.

If you have any questions please call Work and Income.

When is your MRP income received?

You'll need to know in which income year your MRP attributed income is received so you can determine:

- your correct PIR
- in which income tax return any income attributed by the MRP should be included if you're required to return it.

PIE income is treated as being received in your income year that includes the end of the MRP's income year. If you and the MRP have standard 31 March balance dates, the year in which the MRP attributes the income and you receive it will be the same.

If you have a balance date other than 31 March, the year the income is received may be different from the year in which the MRP attributes the income.

If you have a ...	and ...	then ...
30 June 2012 balance date (your 2012 income year)	the MRP has a 31 March 2012 balance date	because the end of the MRP's 2012 income year falls within your 2012 income year, the income is also your 2012 attributed income.
31 December 2011 balance date (your 2012 income year)	the MRP has a 31 March 2012 balance date	because the end of the MRP's 2012 income year falls after the end of your 2012 income year, the income falls into your 2013 income year.

Dividends or distributions

You don't need to include dividends or distributions from an MRP in your income tax return. The're excluded income.

Dividends or distributions received from a PIE that is a listed company and doesn't use your PIR won't need to be included in your income tax return, unless you choose to include the dividend to claim imputation credits.

These dividends are not liable for RWT.

Investor statements

MRPs are required to issue investor statements providing investors with information about:

- their interest in the MRP
- the income received from their investment in the income year
- the tax calculated by the MRP on their investment.

Generally, investor statements are required to be issued by 31 May or 30 June after the end of the MRP's income year.

The following table shows where an investor has used both a 17.5% and 28% PIR in the year, when the 28% PIR should have applied throughout the year. The income taxed at the incorrect rate is included in the tax return.

Investor statement		
Taxable income/loss	$300.00	Total income attributed by the MRP
Net tax paid/credited	$23.50	Total PIE tax and total attributed tax credits ($73.50) on income attributed by the MRP
Tax credits	$50.00	
Income @ 17.5%	$100.00	Income attributed by the MRP (included in the $300.00 above) that was incorrectly taxed at the lower rate. **To be included in the tax return**
Tax credits @ 17.5%	$8.50	Combine the tax credits and tax paid ($17.50) as PIE tax paid. **To be included in the tax return**
Net tax paid @ 17.5%	$9.00	

The income tax return will include $100 income with a tax credit of $17.50.

The investor statement issued by the MRP provides details of the income and tax paid, to include in your tax return.

If your income attributed by the MRP was taxed at a rate lower than your actual rate, eg, 17.5% during the income year and should have been taxed at 28%, you show the net tax paid (at 17.5%) by the MRP on the attributed income as a credit.

The following table shows where an investor has been taxed at a zero rate on exit from an MRP that files returns using the quarterly option. The investor will not have had PIE tax paid. The PIE will attribute the income and any associated tax credits.

Investor statement		To be included in the tax return
Taxable income/loss	$300	Total income attributed by the MRP. There is no tax paid by the MRP.
FTC	$5	The foreign tax credits attributed to the investor for the year.
IC	$10	The imputation credits attributed to the investor for the year.
RWT credits	$10	The resident withholding tax credits attributed to the investor for the year.

The income tax return will include $300 income with total tax credits of $25.

Where there is a rate change during a year you may receive two investor statements, one for each rate applied during the year.

Residual interests

If, at the end of the quarter in which you exit an MRP that files returns using the quarterly option there is any residual value of your interest in the MRP, the residual interest will be paid to Inland Revenue by the MRP. You'll be entitled to a tax credit of this amount. This credit can be included in the RWT question on the tax return.

Where does PIE income go in the income tax return?

If you have to include PIE attributed income in your tax return, it should be included in the "Overseas income" question. Where tax credits are shown separately on the investor statement enter them into the corresponding boxes in your tax return. Otherwise, show the net value of tax credits and tax paid/credited at the low or lower rates in the overseas tax paid panel.

Tax credits

Where your income attributed by the MRP has been taxed at a PIR of 10.5%, 17.5% or 28%, the foreign tax credits are taken into account by the MRP when it calculates its tax.

Where your income attributed by the MRP has been taxed at a PIR of 0% on exit from the MRP, the foreign tax credits can be claimed in your tax return up to the amount of the tax you're required to pay on the income attributed by the MRP.

Where your income attributed by the MRP has been taxed at a PIR of 10.5%, 17.5% or 28%, New Zealand tax credits are taken into account by the MRP when it calculates its tax.

Where your income attributed by the MRP has been taxed at a PIR of 0% on exit from the MRP, New Zealand tax credits can be claimed in your tax return. Your income tax return guide will show to what extent the New Zealand tax credits can be used.

Excess New Zealand tax credits and losses

Most MRPs that have excess New Zealand tax credits or losses in a tax calculation period receive a tax credit calculated at the individual investor's PIR. The MRP then credits the investor by adjusting their interest in the MRP, or making a distribution to the investor.

Withdrawing your investment in an MRP

If you exit an MRP that files returns using the quarterly option part-way through a quarter, the MRP may calculate tax at the zero rate on your share of the income attributed. In all other cases the MRP will calculate tax on exit at your PIR.

If you withdraw your investment from an MRP you should include the income in the tax return (if required) that includes the end of the MRP's income year in which the withdrawal occurred.

A partial withdrawal may not be significant enough to be treated as an exit, or switches from one investor class to another within the same entity may not reduce your interest in the MRP. In these situations the MRP may make voluntary payments of tax. If the tax calculation has been made at the actual PIR and is sufficient to meet the tax liability, the income isn't included in your tax return.

PIE investments in overseas markets

If the PIE invests in overseas markets, you don't have to complete disclosures or make calculations for the purposes of the foreign investment fund (FIF) rules. Any calculations under the FIF rules will be made by the PIE.

Investor expenses

Generally, investor expenses charged by the MRP in relation to your interest will be taken into account when it calculates the income to attribute to you. You won't be able to claim the expenses in your tax return.

Your PIE income and provisional tax

If your PIR is 10.5%, 17.5% or 28% and the income attributed by the MRP doesn't need to be included in your tax return, there may be a reduction in your provisional tax liability depending on the provisional tax method you have chosen.

If your income attributed by the MRP is taxed at a zero rate on exit from the MRP, exposure to a provisional tax liability may be increased. Previously, distributions might have attached credits that could be used against your income tax liability. Under the PIE rules those credits may no longer be available.

You change country of residence

A number of scenarios can occur when a notified foreign investor changes residence. They can become a resident, a resident can become a notified foreign investor and a notified foreign investor can move to another foreign country or territory. For the third scenario the change could affect the PIR applied to unimputed dividends based on the double tax agreement (DTA) to non-double tax agreement (DTA) country rule.

The issue is further complicated by the foreign investment PIE's ability to apply a change in residency.

For example, a quarterly PIE may only be able to apply the status for the whole quarter instead of applying a change part-way through a quarter. Therefore flexibility has been built in to allow the PIE to make the change to an investor's status as soon as practicable, but no later than the start of the next tax year.

For more information on who can be a notified foreign investor refer to our factsheet **Information for non-residents who invest in PIEs - IR858**.

The following tables set out the various scenarios and results for a living person

Scenario 1

A notified foreign investor becomes a resident and advises the PIE straight away or during the year		
If ...	**and ...**	**then ...**
the PIE makes the change straight away	the PIE applies the correct PIRs for each part of the year	provided the investor has notified the correct PIRs the attributed PIE income is excluded income.
the PIE makes the change at the start of the next tax year	the PIE applies the transitional rule and doesn't change the PIR during the tax year	provided the investor has notified their correct PIRs for each year, the attributed PIE income is excluded income.
the PIE omits the change	the PIE corrects for its period of omission	the income is excluded income.

A notified foreign investor becomes a resident and advises the PIE during the next tax year		
If ...	**and ...**	**then ...**
the PIE makes the change straight away	the PIE applies the new rate to income from then on	for the period from the start of the next tax year when the notified foreign investor rates have been applied, the income needs to be included in the investor's income tax return.
the PIE makes the change at the start of the next tax year	the PIE treats the investor as a resident for all of the next tax year	provided the investor has notified their correct PIRs, the income for both years remains excluded income.
the PIE omits the change	the PIE corrects for its period of omission	the income is treated as per the first or second row as applicable.

Scenario 2

A resident becomes a notified foreign investor and advises the PIE straight away or during the year		
If ...	**and ...**	**then ...**
the PIE makes the change straight away	the PIE applies the correct PIRs for each part of the year	provided the investor has notified the correct PIRs, the attributed PIE income is excluded income.
the PIE makes the change at the start of the next tax year	the PIE applies the transitional rule and doesn't change the PIR until the start of the next tax year	provided the investor has notified their correct PIRs, the income for both years remains excluded.
the PIE omits the change	the PIE corrects for its period of omission	the income is treated as excluded income.

A resident becomes a notified foreign investor and advises the PIE during the next tax year		
If ...	**and ...**	**then ...**
the PIE makes the change straight away	the PIE applies the new rate to income from then on	for the period from the start of the next tax year when the incorrect investor rate was applied, the income needs to be included in the investor's income tax return.
the PIE makes the change at the start of the next tax year	the PIE treats the investor as a resident investor for the year of change, then applies the notified foreign investor rates for the next tax year	provided the investor has notified their correct PIRs, the attributed PIE income is excluded income.

the PIE omits the change	the PIE corrects for its period of omission	the income is treated as per the first or second row as applicable. If the PIE hasn't corrected the position the investor may not have any recourse if taxed at a PIR greater than required.

Scenario 3

A notified foreign investor changes foreign country of residence (DTA to/from non-DTA)
Where the investor has had a rate applied to their attributed PIE income, which is less than their correct PIR, the income is no longer excluded income. The investor should file an income tax return to correct the shortfall.

For resident investors who become notified foreign investors, the PIE should treat the investor as a notified foreign investor from the day it's notified of the change of status, if possible, but no later than the start of the next tax year.

If the investor has misrepresented their status to the PIE by indicating they're a notified foreign investor when in fact they're a resident, the rules ensure the income attributable to the period when the PIE has treated them as a notified foreign investor should be taxable to the investor as if they were a resident (with credit for any tax paid at the PIE level).

For a notified foreign investor who becomes a resident investor, the foreign investment PIE has the choice of changing the investor's status immediately or waiting until the beginning of the next tax year to do so. If the PIE waits, the investor can continue to be treated as a notified foreign investor for the tax year and any income attributed to the investor during this transitional period won't be subject to further tax at the investor level. Among other things, this is to handle situations when residency applies retrospectively, due to the application of the 183-day rule.

Investments at the time of death

Investments held at the time of death will pass to the estate. The transfer to the estate is considered to be an exit and the MRP may zero-rate the income in the period to the date of death. In this case the MRP income will have to be included in the tax return to the date of death. If the MRP calculates tax, the income doesn't have to be included in the tax return to the date of death.

If the investments aren't distributed to the beneficiaries but continue to be held in the estate, the executor should advise the MRP of the PIR chosen by a New Zealand resident trustee (either 0%, 10.5%, 17.5% or 28%).

Joint investments and partnerships

Where an investment is held by a partnership or in joint names, each partner/holder of the investment has tax obligations in relation to their share of the income. Therefore the investment should be split so that each partner/holder can advise the MRP of their IRD number and PIR. If the partners don't provide the MRP with their PIR and/or IRD number, the MRP will deduct PIE tax at the default rate of 28% which may be higher than the actual rate.

The tax obligations relating to the income from a PIE rest with the partners.

Tax calculated by the MRP at 28% is a final tax and a refund can't be issued even if your correct PIR would be lower if you were to invest on your own.

Each New Zealand resident holder of a joint investment in a listed PIE can choose to declare their share of the dividend in their tax return.

Transferring your investments

Income from investments held in your name can't be transferred to another person, eg, a spouse on a lower income. However, investments can be sold. There are rules about valuation of property sold to associated persons.

ird.govt.nz

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- **Log in or register for myIR** - manage your tax and entitlements online.
- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
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New Zealand Government