

Prescribed investor rate

What is a prescribed investor rate (PIR)?

A PIR is the tax rate that your portfolio investment entity (PIE) is able to use to calculate the tax on the income it derives from the investment of your contributions. The PIR is based on your taxable income, eg, income from salary, wages and any additional sources of income you would include in your income tax return. You'll also need to take into account any income or loss allocated to you from your PIE when determining your PIR.

Why do I need a PIR?

Managed funds that become PIEs can calculate the tax rate based on each investor's PIR.

Previously, the fund used the 30% tax rate. This rate can be reduced to 12.5% for investors qualifying for the lower rate.

PIE investors need to give their PIR and IRD number to their PIE to ensure their investment income is taxed at the right rate.

When do I need to provide my PIR?

When your PIE asks you for it or before the PIE calculates the tax on the income it allocates to its investors. You should review your rate each year to ensure it is correct and notify your PIE of any changes.

Failure to provide your PIR

It's important you provide your PIR and IRD number when asked for them. If you fail to provide your PIR and IRD number then your investment will be taxed at the default rate of 30%. This rate could be higher than your PIR.

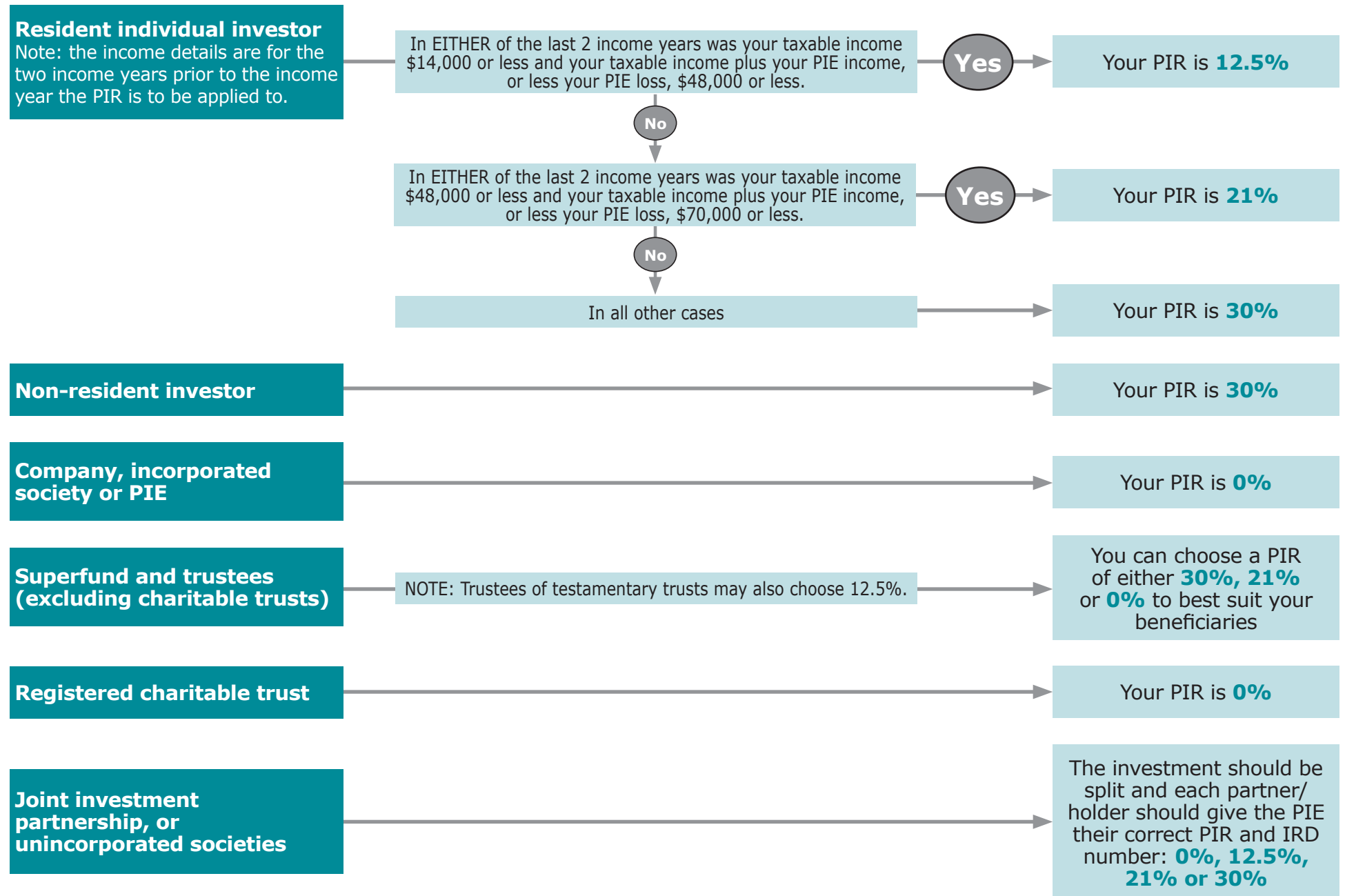
The diagram on the following page outlines the various rates and how to work out what your PIR should be.

Providing your IRD number

If you're a New Zealand resident you must give your IRD number to your PIE along with your PIR. If you don't, your investment may be taxed at the default rate of 30% and additional penalties applied.

Work out your prescribed investor rate (PIR) for income years after 31 March 2010

There are four rates that can apply to an investor who has also provided their IRD number: **0%**, **12.5%**, **21%** and **30%**. Use the chart below to identify the correct rate for your circumstances.



Work out your prescribed investor rate (PIR) for income years after 31 March 2008

There are three rates that can apply to an investor who has also provided their IRD number:

0%, 19.5% and **30%**. Use the chart below to identify the correct rate for your circumstances.

