

Information for companies that invest in PIEs

This factsheet helps you understand your tax obligations as a company 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. This type of PIE is called a multi-rate PIE (**MRP**). Some PIEs that do not use investor's PIRs continue to apply the basic tax rate.

There are also 2 types of MRP for non-resident investors:

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

These MRPs allow qualifying non-resident investors (notified foreign investors) to have tax rates applied to their attributed PIE income similar to the tax rates that would apply if they invested directly in the assets of the PIE.

For details of who is a notified foreign investor refer to our factsheet **Information for non-residents who invest in PIEs - IR858**.

PIEs that are not MRPs include:

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

These PIEs do not calculate their tax using their investors' PIR. Instead, their tax is calculated using the PIE's basic tax rate.

PIR for companies

The PIR for NZ tax resident companies is 0%, that is, companies are zero-rated investors. Non-resident companies have a PIR of 28% if they're not notified foreign investors.

What happens if a company does not notify the MRP its IRD number?

You have 6 weeks from becoming an investor in a MRP to provide your IRD number. If you do not provide it the MRP must close your investment account and treat you as having exited on the last day of the 6-week period.

What happens if a company does not notify its PIR to the MRP?

If you do not provide the MRP with the company's PIR, the MRP will deduct PIE tax at the default rate of 28%. Attributed PIE income, will still be included as taxable income in the company tax return along with the PIE tax deducted and any tax credits.

Where the default rate has applied and the company is attributed a loss, the loss will be deductible in the company's tax return and tax credits can be claimed subject to the usual income tax limitations. The MRP will not receive a tax credit for the loss.

Ceasing to be represented by a proxy

If the company is represented by a proxy for PIE investors (custodian) and then ceases to be represented by that proxy, its obligations will pass directly to the MRP that holds the company's investment. The company should notify the MRP of its correct PIR and IRD number.

Record-keeping requirements

All records relating to the company's investments must be kept for at least 7 years for tax purposes.

Companies changing their residence

A company that has become resident in New Zealand can apply a PIR of 0% from the date its New Zealand residency starts.

A resident company that has invested in a MRP but then ceases to be resident in New Zealand, should apply a PIR of 28% from the date its New Zealand residency ceases. For a change of residency that involves becoming or ceasing to be a notified foreign investor refer to our factsheet **Information for non-residents who invest in PIEs - IR858**, or go to ird.govt.nz/pir

Income attributed by the MRP

All income or loss attributed by the MRP to the company must be included in the company's tax return.

When is MRP income received?

MRP income is treated as being received in the company's income year that includes the end of the MRPs income year. If the company and the MRP have standard 31 March balance dates, the year the MRP attributes the income and the company receives it, will be the same.

If the company has a balance date other than 31 March, the year the income is received may be different from the year the MRP attributes the income.

If the company has a:	and:	then:
30 June 2024 balance date (its 2024 income year)	the MRP has a 31 March 2024 balance date	because the end of the MRP's 2024 income year falls within the company's 2024 income year, the income is also the company's 2024 attributed income.
31 December 2023 balance date (its 2024 income year)	the MRP has a 31 March 2024 balance date	because the end of the MRP's 2024 income year falls after the end of the company's 2024 income year, the income falls into the company's 2025 income year.

Dividends or distributions

Dividends or distributions received from a MRP are excluded income and are not required to be included in the company's income tax return.

Dividends or distributions received from a listed PIE that do not use an investor's PIR are taxable income and must be included in the company's tax return to the extent that the dividend exceeds the fully credited amount.

Where a PIE makes a tax-free distribution to a corporate investor and the company forwards the distribution on to its shareholders as a dividend, the tax-free status of the distribution does not carry through to the dividend. The dividend received by the company's shareholders will be assessable income.

Dividends received from a listed PIE are not liable for resident withholding tax (RWT).

Investor statements

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

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

Most MRPs need to provide investors with information regarding their investment by 31 May following the end of the tax year. Some MRPs with non-standard balance dates may send that information to investors on or after 30 June.

What information on the investor statement is included in the tax return?

The investor statement issued by the MRP will provide details of the income and tax credits to include in the company's tax return.

The following table shows the details where an investor has had the zero-rate applied by their MRP. The company will not have had PIE tax paid. The MRP 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. No tax is 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.

In this example, the income tax return will include \$300 PIE income with total tax credits of \$25.

Residual interests

Any residual investor interest at the end of the quarter in which an investor exits a MRP that files PIE returns using the quarterly option will be paid to Inland Revenue by the MRP within 1 month of the end of the quarter in which the exit occurs.

The company will be entitled to a tax credit equal to the residual interest paid.

Where does PIE income go in the income tax return?

For company returns filed in myIR MRP attributed income will be pre-populated into the company's income profile. The MRP income can be included in the dedicated PIE income and tax credit fields.

For paper company returns, income or loss attributed by the MRP should be included in the 'Overseas income' question. Any specified tax credits, for example RWT, shown on the investor statement should be included in the corresponding box on the return.

Foreign tax credits

Available foreign tax credits will generally be the lesser of:

- the amount of the attributed credits
- the amount calculated by multiplying the income attributed by the MRP by the company's tax rate.

New Zealand tax credits and losses

For New Zealand tax resident companies the amount of the attributed New Zealand tax credits are included in the company's tax return. Limitations to the credits able to be claimed may arise in the return. Refer to the table on the previous page.

The company is allowed a deduction for an attributed PIE loss. Where the company has an attributed loss and the default rate has been applied the company will be able to claim tax credits.

Withdrawing your investment

If the company withdraws its investment from a MRP it should include the income in the tax return that includes the end of the MRPs income year in which the withdrawal occurred.

PIE investments in overseas markets

If the PIE invests in overseas markets, the company does not 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

Investor expenses charged by the MRP and incurred by the company in relation to its interest in the MRP will generally be taken into account by the MRP when calculating the taxable income. The company will not be able to claim investor expenses in its tax return.

Certain qualifying expenditure for a member superannuation fund that invests into a PIE master superannuation fund can be transferred to the master fund. The transfer is allowed to the extent of the member fund's attributed PIE income for the income year in which the amount is transferred.

Attributed income from a MRP and provisional tax

As a zero-rated investor, the company's exposure to a provisional tax liability may change as the inclusion of attributed PIE income or loss in the income tax return will affect the tax calculation.

Previously, distributions may have attached credits that could be used against the company's income tax. Under the PIE rules those credits may no longer be available.

Companies as joint investors

Where an investment is held by a partnership or is in joint names, each partner/holder of the investment has tax obligations in relation to their share of the income. Each holder of the joint investment should advise the MRP of their IRD number and PIR that applies. If they do not provide the MRP with their PIR, the MRP will deduct PIE tax at the default rate of 28%.

The MRP will apply the highest notified rate to the investment. If that notified rate is 28% the company's share of the joint PIE investment will be included in its income tax return and the PIE tax paid can be claimed.

If the PIE holds the joint holder's details including their IRD number and reports the details to us we will split the investment income and tax details according to the number of joint holders. If the share is not equal, you will need to manually change it in myIR or contact us to update the shares.

A resident company as a joint investor in a listed PIE must declare its share of the dividend in its tax return to the extent it exceeds the fully credited amount.



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