

Prescribed investor rate

What is a prescribed investor rate (PIR)?

A PIR is the tax rate that your portfolio investment entity (PIE) uses to calculate the tax on the income from the investment of your contributions. The PIR is based on your taxable income, such as salary, wages and any other sources of income you would include in your income tax return. You'll also need to include any income or loss attributed 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.

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?

You need to provide your PIR when your PIE asks you for it, or before the PIE calculates the tax on the income it attributes to its investors. You should review your rate each year to make sure it's 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. Your investment income will be taxed at the default rate of 28% if you do not provide them. This rate could be higher than your PIR.

The diagram on the next page shows the different rates and how to work out your PIR.

Providing your IRD number

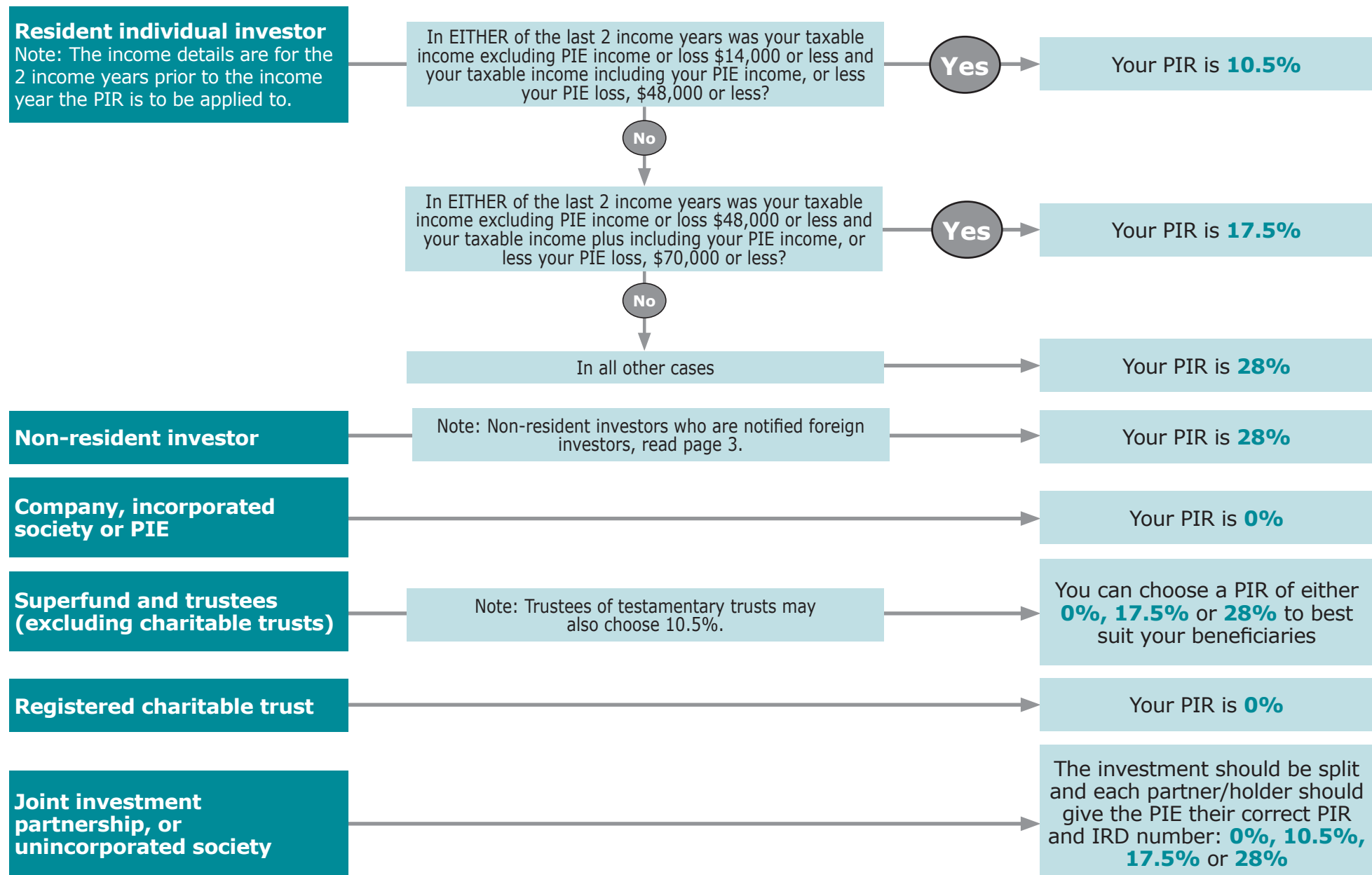
If you're a New Zealand resident, you must give your IRD number to your PIE. Your investment will be taxed at the default rate of 28% and additional penalties may be applied if you do not provide it.

New investors in a PIE have 6 weeks to provide their IRD number. After this time the PIE is required to close the account and return the funds less any PIE tax calculated at the 28% default rate.

For more information go to ird.govt.nz/pir

Work out your prescribed investor rate (PIR)

There are four rates that can apply to a resident 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. New residents, transitional residents and notified foreign investors please read page 3.



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

These PIEs allow qualifying non-residents (notified foreign investors) who invest in these PIEs to be taxed at a similar rate to what they would pay if they invested directly in the PIE's investment.

New residents

If you become a resident of New Zealand, you need to include your worldwide income when determining your PIR.

However, if you reasonably expect your taxable income in either of your first two years as a resident will be significantly lower than your total income from all sources for previous income years, you may choose not to include your worldwide income for either or both of the income years.

In this case the PIE income will need to be included in your income tax return. For resident natural person investors, it'll be included in the PIE schedular income tax calculation and an adjustment made to your income tax to pay or refund due.

Transitional residents

If you're a transitional resident who invests in a zero-rate PIE, you qualify for the 0% PIR. If you've notified the 0% PIR correctly, the income isn't included in your tax return.

If you're a transitional resident who does not invest in a zero-rate PIE you're required to include your worldwide income when determining your PIR. Income that is excluded for income tax purposes is included when determining your PIR.

Notified foreign investor

A non-resident who holds an investment in a foreign investment PIE may notify the PIE that they wish to be treated as a notified foreign investor. The investor must not be resident in New Zealand, a controlled foreign company, a

foreign investment fund with a New Zealand resident investor who has an income interest of 10% or more, or a non-resident trustee of a trust that isn't a foreign trust. If the investor doesn't notify the PIE it will continue to use the 28% PIR.

If you're a notified foreign investor who invests in a zero-rate PIE, you'll have all your income from the PIE taxed at 0% as most of the income will be foreign-sourced income.

If you're a notified foreign investor in a variable-rate PIE, you'll have set rates applied based on the type and source of the income. Also, for dividend income attributed to you the rate will vary based on whether you live in a country with which we hold a double tax agreement.

You need to provide the foreign investment PIE with the following additional information:

- your date of birth, if you're an individual
- your home address in the country or territory where you reside for tax purposes
- the equivalent of your tax file (IRD) number in the country or territory where you reside for tax purposes, or a declaration if you're unable to provide this number.

A notified foreign investor cannot choose a rate, the tax rate is set based on the type of PIE you invest in and whether you live in a country we have a double tax agreement with. For more information on these rates see our **Information for non-residents who invest in PIEs - IR858** factsheet.