

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 39%.

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%. Make sure you tell us if your situation changes and you need to swap to a different PIR. If the advised PIR is lower than your correct PIR, you may need to pay any tax shortfall, interest and penalties. If the advised PIR is higher than your correct PIR, then for the current and future income years any overpayment of PIE tax may reduce your income tax liability for that income year and may give rise to a tax refund.

We will also send you an annual summary of income from any Octagon or Summar PIE Funds. This will help you check that you are still eligible for the PIR rate you have previously notified to us.

Changing your PIR is easy, you can update it by contacting your Financial Adviser and requesting a change of details form.

The Inland Revenue may also instruct us to update the PIR on your account if their records indicate a change is required. We are obliged to apply this PIR to your account and will send you a confirmation that this has occurred. We will apply this PIR unless you subsequently notify us of a different PIR.

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.

Which Octagon or Summar Funds are PIEs?

Recognising the advantages that PIEs offer to clients, we have ensured that Octagon Investment Funds meet the PIE criteria. The PIE compliant range of Octagon 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').

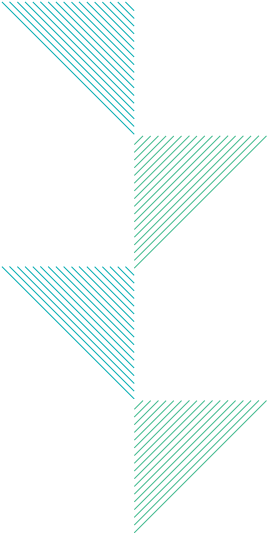
Tell me about the capital gain advantages of a PIE?

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).

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For more information please call us on
0800 628 246 or visit octagonasset.co.nz

Octagon 



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.

Resident or Transitional Tax Resident individual investor

Note: the income details are for the two income years prior to the tax year the PIR is to be applied to.

In EITHER of the last two income years was your taxable income \$15,600 or less and your taxable income plus your Portfolio Investment Entity (PIE) income, or less your PIE loss, \$53,500 or less.

YES

Your PIR is 10.5%

NO

In EITHER of the last two income years was your taxable income \$53,500 or less and your taxable income plus your PIE income, or less your PIE loss, \$78,100 or less.

YES

Your PIR is 17.5%

NO

In all other cases: **Your PIR is 28%**

Non-resident investor: Your PIR is 28%

Notified Foreign Investors: Various situation rate depending on the underlying assets.

Company, incorporated society or Portfolio Investment Entity (PIE): Your PIR is 0%

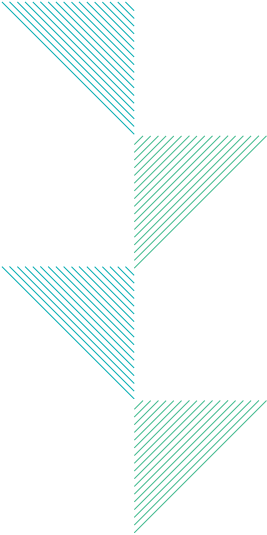
Superfund and trustees (excluding charitable trusts): You can choose a PIR of either 28%, 17.5% or 0% to best suit your beneficiaries. NOTE: Trustees of testamentary trusts may also choose 10.5%.

Registered charitable trust: Your PIR is 0%

Joint investment partnership, or unincorporated societies: Each joint holder determines their individual PIR. The highest rate will be applied to the investment.

Note: If you have moved to New Zealand for less than 4 years, you are a transitional tax resident, and you need to include your worldwide income in order to work out your PIR rate. If you have chosen a lower PIR rate the excessive income will be combined to your income tax return and taxed at a higher rate.

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Appendix — Applicable Situation rate for Notified Foreign Investors.

Rates for foreign investment PIEs

Rates	Situation rate can be used for
0%	All offshore income.
0%	An amount from a New Zealand based financial arrangement that is not interest.
0%	Fully imputed dividends when 28% tax has been paid by the company paying the dividend.
1.44%	Interest income that comes from a New Zealand source.
15%	Unimputed dividends or the portion of the dividend from New Zealand companies if you live in a DTA country
28%	Other New Zealand income, but the PIE cannot invest in New Zealand land or get income from land, including its disposal.
30%	Unimputed dividends or the portion of the dividend from New Zealand companies if you live in a non-DTA country.

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