

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 e.g. income from salary, wages and any additional sources of income that you would include in your income tax return.

Note: from 1 April 2008 you may also need to take into account the income or loss allocated to you from your PIE when determining your PIR.

Why do I need a PIR?

Changes to the taxation of investment income enables managed funds that become PIEs to calculate their tax based on each investor's PIR. Currently the fund pays tax at 33%. This can be reduced to 19.5% for investors that qualify for the lower rate.

In order to benefit from these changes, PIE investors will need to supply their PIR and IRD number to their PIE.

When do I need to provide my PIR?

When your PIE requests it from you 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 is important that you provide your PIR when requested. If you fail to provide your PIR then your investment will be taxed at the default rate of 33%*. 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

You need to supply your IRD number to your Portfolio Investment Entity along with your Prescribed Investor Rate. If you fail to do so then your investment will be taxed at the default tax rate of 33%*. This rate could be higher than your PIR.

*(30% from 1 April 2008)

Use this chart to work out your Prescribed Investor Rate (PIR)

There are three rates: **0%**, **19.5%** and **33%** (30% from 1 April 2008). Use the chart below to identify the correct rate for your circumstances.

