Inland Revenue
Te Tari Taake

Business
Ngā Ūmanga

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Information for trustees who invest in PIEs

This factsheet helps you understand your tax obligations as a trustee 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.

What is the prescribed investor rate (PIR) for trustees?

A PIR is the tax rate that applies to attributed PIE income of the investor in a multi-rate PIE. Resident trustees investing in a MRP can choose either:

- 28% as a final tax
- 17.5% and have income and PIE tax paid included in the trust's return
- 10.5% for testamentary trusts, and have income and PIE tax paid included in the trust's return
- 0% and have the income and tax credits included in the trust's return.

Trustees are allowed to choose a PIR to more closely reflect the tax rates of the beneficiaries of the trust and to minimise exposure to provisional tax.

Note: Resident trustees can apply different PIRs to different MRPs but cannot apply different PIRs to the same MRP.

Trustees choosing 28%

Trustees that choose a 28% PIR as a final tax will not be able to include attributed PIE income or loss in the trust's income tax return. If a trustee notifies a 28% PIR and then changes to 0% you cannot include the income taxed at the 28% rate in the trust's tax return. No refund is available.

If trustees choose the 28% PIR the income from the MRP may still be taxed at a zero-rate in a period on exit from a MRP that files PIE returns using the quarterly option.

Trustees choosing a 10.5% or 17.5% PIR

Resident trustees of testamentary trusts can choose a 10.5% PIR and have the PIE income and PIE tax included in the trust's tax return.

If trustees choose the 10.5% or 17.5% PIR and the trust is attributed a PIE loss, the loss cannot be included in the trust return. The MRP has already received a tax credit for the loss, calculated at the trusts PIR.

Trustees of superannuation funds cannot choose a 10.5% PIR.

Trustees choosing a 0% PIR

Attributed PIE income or loss of trustees that choose a 0% PIR is included in the trust's income tax return along with any tax credits.

Trustees of tax charities can only choose a PIR of 0%.

Default rate of 28%

If the default rate has applied because you did not provide the trust's chosen PIR to the MRP then attributed PIE income or loss, PIE tax paid and tax credits need to be included in the trust return.

The MRP will not receive a tax credit for a loss.

Note: The default rate of 28% is not the same as the notified 28% PIR. If the default rate is applied the PIE income is included in the tax return, whereas if the 28% notified rate has applied the PIE income is not included in the tax return.

What happens if a trustee does not notify the MRP the trust's 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 you do not notify your PIR to the MRP?

If you do not provide the MRP with the trust's PIR, the MRP will deduct PIE tax at the default rate of 28%.

If the default rate of 28% has been applied by the MRP to the trust's attributed income, you must include the income in your trust tax return.

Ceasing to be represented by a proxy

If the trust 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 trust's investment. The resident trustee should notify the MRP the chosen PIR and the trust's IRD number.

Record-keeping requirements

You must keep trust records relating to attributed PIE income for 7 years for tax purposes.

Income attributed by the MRP

The trust's PIE income is not included in its income tax return where the trust has had its income attributed by the MRP:

- taxed at a notified PIR of 28%, and
- it has not had a zero-rate applied in a quarter on exit from a MRP that files returns using the quarterly option.

The trust's PIE income must be included in the trust's income tax return if you've:

- chosen a PIR of 0%, 10.5% or 17.5%, or
- the trust has had the zero-rate applied in a quarter on exit from a MRP that files PIE returns using the quarterly option, or
- had the default rate of 28% applied.

If the MRP attributes a loss to the trust and you've chosen a PIR of 10.5%, 17.5% or 28% the loss is not included in the trust's income tax return.

PIE income received as a beneficiary of a trust

Attributed PIE income treated as a resident individual's beneficiary income of a trust that is not a PIE is treated as trust income. It is excluded from the beneficiary's PIE calculation as part of their income tax assessment.

If you, as a resident trustee choose a PIR of:	then the attributed PIE income from the MRP:
0%, 10.5% or 17.5% (or the default rate has been applied)	where it is vested or paid to the beneficiary as beneficiary income, must be included in the beneficiary's income tax return as trust income. It is not treated as attributed PIE income and is not included in the resident individual beneficiary's PIE calculation in their income tax assessment. The trustee must pay tax on behalf of the beneficiary for income attributed to that beneficiary.
28% as trustee income	is excluded income and does not need to be included in either the trust or beneficiaries' taxable income in their tax returns or in a resident individual beneficiary's PIE calculation.

Working for Families and student loans

Trust income allocated as beneficiary income will need to be included in your adjusted net income for Working for Families (WfF) or when determining student loan repayments.

When is your MRP income received?

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

If the trust has a balance date other than 31 March then the year in which the income is received may be different from the year in which the MRP attributes the income.

If the trust 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 trust's 2024 income year, the income is also the trust'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 trust's 2024 income year, the income falls into the trust's 2025 income year.

Dividends or distributions

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

Dividends or distributions received from a listed PIE do not need to be included in the trust's income tax return, unless you, as a resident trustee, choose to include the dividend in the trust's tax return to claim imputation credits.

Investor statements

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

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

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

Most MRPs need to provide you with information regarding your investment by 31 May following the end of the tax year. Some MRPs may send that information to you on or after 30 June.

Where there is a rate change during a year you may receive more than 1 investor statement, 1 for each rate applied during the year.

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

Where does PIE income go in the trust’s income tax return?

For trust returns filed in myIR PIE attributed income will be pre-populated into the trust’s income profile. Where the notified PIR is not 28% the PIE income and PIE tax paid can be included in the dedicated PIE income and tax credit fields.

For paper trust returns, the income attributed by the MRP should be included in the ‘Overseas income’ question in the tax return. Any specified tax credits, for example, resident withholding tax (RWT), shown on the investor statement should be included in the corresponding box in the return. When the default rate has been applied to attributed income, the tax credit is PIE tax paid at 28% and can be shown in the overseas tax credit panel.

Foreign tax credits

For resident trustees who choose a PIR of 0%, available foreign tax credits will generally be the lesser of:

- the amount of the attributed credits, or
- the amount calculated by multiplying the attributed income by the trust's tax rate.

The foreign tax credits can be claimed in the trust tax return up to the amount of the tax required to be paid on the income attributed by the MRP.

For resident trustees who choose the 10.5%, 17.5% or 28% PIR, foreign tax credits are included by the MRP when it calculates its tax.

New Zealand tax credits and losses

For resident trustees who choose the 0% PIR the attributed New Zealand tax credits are included in the trust’s tax return. The trust is allowed a deduction for an attributed PIE loss.

For resident trustees with the 10.5%, 17.5% or 28% PIR, New Zealand tax credits are included in the MRPs tax calculation, after allowing foreign tax credits. Where there are excess New Zealand tax credits or losses in a MRPs tax calculation the MRP receives a tax credit for the excess New Zealand tax credits or the loss, calculated at the trustee’s chosen PIR. The MRP then credits the trustee investor by adjusting their interest in the MRP, or making a distribution.

Losses attributed where the 10.5%, 17.5% or 28% PIRs have been notified are not included in the trust’s income tax return.

Withdrawing your investment

Resident trustee investors who have chosen a PIR of 10.5%, 17.5% or 28% who exit a MRP that files PIE returns using the quarterly option part-way through a quarter may have tax calculated by the MRP on their attributed income during the period at the zero-rate. The attributed income will need to be included in the trust's tax return.

However, the MRP may voluntarily pay tax on the attributed income for the exit period. This income will not need to be included in the tax return if the tax is paid at the investor's PIR of 28%.

Resident trustee investors who have chosen a PIR of 10.5%, 17.5% or 28% who exit a MRP that uses the exit option will not be taxed at a zero-rate. Instead, the entity would need to pay the investor's share of the PIE tax relating to the exit period. The income for the exit period will not be included in the tax return if the investor's chosen PIR is 28% and it is taxed at that rate.

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

Partial withdrawals and switches

A partial withdrawal may not be significant enough to give rise to an exit period. MRPs that use either the quarterly or exit option may make voluntary payments of tax for resident trustee investors who have chosen a PIR of 10.5%, 17.5% or 28%, when an investor fully or partially exits an investor class or when an investor switches from one investor class to another within the same entity.

If a resident trustee investor who has chosen a PIR of 10.5%, 17.5% or 28% withdraws from an investor class and reinvests the funds in another investor class of the same MRP, then the MRP can treat the change of class as a partial withdrawal and calculate tax at that time.

PIE investments in overseas markets

If the PIE invests in overseas markets, the trust 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

Generally, investor expenses charged by the MRP, in relation to the trust's interest in the MRP, will be taken into account when it calculates the income to attribute. The trust will not be able to claim the expenses in its tax return.

Certain qualifying expenditure for a member superannuation fund that invests in a PIE master superannuation fund can be transferred to the PIE 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 the PIE and provisional tax

If the trustee investor's attributed income from the MRP is required to be included in the trust's tax return and is not then attributed to beneficiaries it will be taxed at the trust's basic tax rate, which may affect the residual income tax amount on which the trust's provisional tax is based.

A deduction for an attributed PIE loss will be allowed where the trustee chooses a PIR of 0%, or where the attributed PIE income is zero-rated in a period on exit from a MRP that files PIE returns using the quarterly option.

Trustees 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 applicable PIR. If they do not provide the MRP with their PIR, the MRP will deduct PIE tax at the default rate of 28% which may be higher than the rate preferred by the trustees. Overpaid PIE tax is not refundable.

The MRP will apply the highest notified rate to the investment. If that notified rate is 28% the trust's share of the joint PIE investment will not be included in the trust's income tax return.

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 equally 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.

Each New Zealand resident holder of a joint investment in a listed PIE can choose to declare their share of the dividend in their tax return.

ird.govt.nz

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- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates or calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

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