

JUNE 2010

Structural inefficiencies in institutional back offices should not delay the benefit to investors of new PIE tax rates, nor should they result in increased compliance costs, according to New Zealand Funds Management.

New Zealand Funds Management tax manager Mike McCaw says, "The PIE tax rate changes and the timing of their implementation announced in the budget are great for PIE investors, but the earlier they are implemented the better off investors are."

McCaw says institutions should have built into their systems an ability to apply future rate cuts. A select number of more dynamic investment managers opt to use a default quarterly option for calculating tax.

This allows them to be more flexible when tax changes occur and allows investors to get the benefits of tax cuts earlier, without any increased compliance costs. "Why should investors have to suffer just because institutions have elected to adopt an inflexible method for calculating tax?"

Thousands of PIE investors are eligible for the tax break when the PIE investment tax rate drops from 30 per cent to 28 per cent on 1 October 2010. Other PIE tax rates will also be adjusted to match the new personal tax rates.

According to Inland Revenue's fact sheets on the changes a 25 year old worker earning \$48,000 per annum will be \$11,700 better off in retirement due to the tax savings in the reduction of their PIE tax rate from 21 per cent to 17.5 per cent.

For further information please contact:

Mike McCaw                      Ph: 09 377 2277  
Tax Manager  
New Zealand Funds Management

---

**DISCLAIMER:** THIS DOCUMENT HAS BEEN PROVIDED FOR INFORMATION PURPOSES ONLY. THE CONTENT OF THIS DOCUMENT IS NOT INTENDED AS A SUBSTITUTE FOR SPECIFIC PROFESSIONAL ADVICE ON INVESTMENTS, FINANCIAL PLANNING OR ANY OTHER MATTER.

THE VIEWS EXPRESSED IN THIS DOCUMENT ARE THOSE OF NEW ZEALAND FUNDS MANAGEMENT LIMITED AS AT THE DATE OF THIS DOCUMENT AND ARE BASED ON INFORMATION AND SOURCES BELIEVED BUT NOT WARRANTED TO BE CORRECT. WHILE THE INFORMATION PROVIDED IN THIS DOCUMENT IS STATED ACCURATELY TO THE BEST OF OUR KNOWLEDGE AND BELIEF, NEW ZEALAND FUNDS MANAGEMENT LIMITED, ITS DIRECTORS, EMPLOYEES AND RELATED PARTIES ACCEPT NO LIABILITY OR RESPONSIBILITY FOR ANY LOSS, DAMAGE, CLAIM OR EXPENSE SUFFERED OR INCURRED BY ANY PARTY AS A RESULT OF RELIANCE ON THE INFORMATION PROVIDED AND OPINIONS EXPRESSED IN THIS DOCUMENT, EXCEPT AS REQUIRED BY LAW.