

# Tax Change should not be a nightmare for PIE administrators



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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.

NZ Funds 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.

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

McCaw says this allows institutions 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% to 28% 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% to 17.5%.

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