

Tax rate changes affecting members

The rate at which your earnings in the Fund are taxed is based on your selected Prescribed Investor Rate (PIR). Your PIR will depend on the total of your taxable income and Portfolio Investment Entity (PIE) income. If you have advised your correct PIR then the tax paid by the Fund for you does not have to be included on your tax return.

New PIRs come into effect on 1 April 2010 and will apply for the scheme year ending 31 March 2011, and future years.

The current PIRs of 19.5% and 30% will be replaced by three options (12.5%, 21% and 30%).

What you need to do

You need to work out what your PIR will be for the coming year and if it different from your current PIR then you need to advise us. Please note that if your current PIR is 19.5% then your PIR will automatically be changed to 21% unless you tell us otherwise.

A flowchart to help you determine your correct PIR and a PIR election form accompany this newsletter. Your current PIR is printed on the election form.

If your PIR has not changed (including the automatic switch from 19.5% to 21%) then there is nothing you need to do.

If you have never advised us of your PIR or you live overseas then we are required by law to allocate the highest rate to you (30%).

It is important that you advise the correct PIR.

If you provide a PIR that is lower than your correct PIR, you will be liable to pay tax on your earnings at your marginal tax rate and file a tax return.

If you provide a PIR that is higher than your correct PIR, you will not be able to claim back the excess tax paid by the scheme on your behalf.

NEW INCOME THRESHOLDS	YOUR PIR IS
NEW ZEALAND TAX RESIDENTS	
In either of the last two tax years to 31 March, your taxable incomes was \$14,000 or less and total income (including PIE income) was \$48,000 or less	12.5%
In either of the last two tax years to 31 March, your taxable incomes was \$14,000 or less and total income (including PIE income) was between \$48,001 and \$70,000	21%
In either of the last two tax years to 31 March, your taxable incomes was between \$14,001 and \$48,000 and total income (including PIE income) was \$70,000 or less	21%
If you do not meet any of the above criteria	30%
NON-NEW ZEALAND TAX RESIDENTS	
If you are not a New Zealand tax resident	30%

Returns showing positive gains

This financial year is turning out to be a good one for our investments. As a guide, the current interim returns (after tax and expenses) for 2009/2010 is shown to the right.

For more in depth information on the returns visit the publication section of the website. www.acpb.org.nz

At 19.5% tax rate

Balanced Pool 12.0% p.a.
Conservative Pool 6.9% p.a.

At 30% tax rate

Balanced Pool 11.3% p.a.
Conservative Pool 5.9% p.a.