



New PIE regime – the need for data:

On 1st October 2007, the new **Portfolio Investment Entity (PIE)** regime commences in New Zealand. From that date any custodial platform or nominee may elect to operate as a **Portfolio Investor Proxy (PIP)** under the new regime.

What is a PIE? - An investment vehicle able to elect into certain tax rules under which it will pay tax based on the tax rates of its investors. PIEs are not taxed on gains from investing in New Zealand (and some Australian) shares.

The new PIE rules are integral to the NZ Government's KiwiSaver initiative as they remove a number of tax disincentives to saving via managed funds. By law, all KiwiSaver schemes must be PIEs.

A PIE must ensure that its investors pay tax at the correct rate.

- 'Natural person' investors must annually elect a portfolio investor rate (PIR), and advise this to PIEs they invest into. The PIR chosen must be one of the Prescribed Investor Rates set by the IRD, presently either 19.5% or 33%. An investor not supplying a PIR must be taxed at the default rate of 33% (30% from April 2008).
- Non 'natural persons' such as companies and trusts that are tax resident in New Zealand have a PIR of 0% (except NZ resident trustees who may elect a 33% rate).

Some zero-rated investors into PIEs will be entities that pool the investments of many investors, so the individual identity and PIR of each investor in the pool is not known to the PIE provider. This type of entity will typically elect to become a PIP.

What's a PIP? – An investing entity (typically a custodian or nominee) that, on the basis of investor information held, elects to notify each PIE into which they have invested, that they are holding their investment interest as a Portfolio Investor Proxy (PIP) on behalf of many pooled investors.

Once notice is given, the PIP takes over the PIE's responsibility of accounting for tax to the Inland Revenue for all participating investors in each investment pool invested into a PIE that the PIP administers. The PIP must, for each investor:

- Allocate income and losses.
- Distribute distributions and credits
- Pay income tax, at their PIR rate.
- Adjust unit holdings or distributions for tax due
- Provide the IRD with returns relating to allocations, distributions, credits, payments.

Who is affected by the PIP regime? – Those operating nominee company or custodial services are affected - which includes most of the administration, master trust and wrap platforms used by the financial services industry. These types of organisation have needed to make significant changes to their systems to be ready to cope with the new PIE regime.

The new tax regime affects the flow of information between industry participants. Because PIPs must keep accurate records for Inland Revenue, they need much more information from the PIE provider than under the old tax regime. **This information needs to be delivered quickly and accurately to enable PIP platforms to compute investors' taxes and make daily investor trades, while maintaining timely reporting service levels** for adviser and investor clients.

To answer this need, **Fundexpress** was developed.

Fundexpress – a service outline:

Fundexpress is a **NEW** data service to assist the transfer of the required fund, tax and investor data points quickly and efficiently between PIEs and PIPs, to meet users' needs under the new PIE tax regime.

Fundexpress is designed to give participants the low cost of ownership, rapid implementation and ease of maintenance that only a true multi-tenant 'software-as-a-service' application can provide. InvestmentLink NZ is an established provider of such IT infrastructure services for financial services clients in NZ.

What data is transferred? The full data set for transfer to PIPs is 30 mandatory data fields, and 10 optional data fields, containing the following categories of information:

- investor identifiers and fund unit balances.
- fund identifiers, unit prices and total units on issue.
- fund tax information and tax components.

A reduced data set for fund providers to easily transfer daily price data to market research companies is also included.

Who are the users of Fundexpress?

- Fund managers – the data providers.
- Portfolio investor proxies - the data recipients.
- Market research fund price recipients.

Fundexpress – the benefits for users:

Fundexpress moves data quickly between fund providers and PIP platforms as soon as the data is published.

- **Fund providers** - just upload your data, and it will be delivered to your designated recipients. To add recipients, just log-in and connect them to your data.
- **Data recipients** – log-in regularly each day and download new data that has arrived from fund providers, or set up an automated data retrieval process.

Fundexpress:

- Saves time and money through single point access for your data needs. No need to maintain multiple interfaces or delivery lists of your clients – this one system does it all.
- Improves accuracy and speed by eliminating tedious manual processes, which are prone to error.

Fundexpress is easy to use, with many features:

- Web-based for easy access by users, password protected user log-in, and https data security.
- Complies with the new ISI standard for inter-fund and market research reporting.
- Offers file format options – CSV or XML – and translates between these two formats so providers can send, and recipients can receive, in their preferred file format.
- Full data specification and user documentation provided.
- Service level reporting, with user prompting and alarms.
- Delivery automation options for volume users.

To request more information on the KiwiSaver Infrastructure Initiative and **Fundexpress**, e-mail Maurice MacLaren by clicking this link: maurice.maclaren@investmentlink.co.nz