

# PIEs & FIFs Contents Page

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# INTRODUCTION

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Investing both offshore and onshore involves a range of complex commercial and taxation issues. Added to the normal issues, is dealing with New Zealand's Foreign Investment Fund ("FIF") regime that is one of the most complex regimes in the Income Tax Act.

Those "simplifying" their investment strategy to avoid the FIF regime, by investing onshore, are confronted with the Portfolio Investment Entity ("PIE") regime, which can provide tax benefits if the taxpayer is fully aware of the pitfalls that exist within that regime.

This paper is not a detailed analysis of all of the taxation issues associated with investing offshore and investing in PIEs, but highlights the key issues and options relevant to these activities.

The first part of the paper considers investment in the shares of offshore companies focusing on the legislative changes around offshore portfolio investments that relate to the 2008 income tax returns being completed currently. It examines the new Fair Dividend Rate ("FDR") approach and contrasts this against the various other options available.

The second part of the paper considers the issues that arise when investing in Portfolio Investment Entities ("PIEs"). It considers the various types of PIEs that investors will encounter and looks at how to calculate taxable income from these and what options taxpayers have when investing in each of the different types of PIE.

All references to statutory provisions in this paper are to provisions of the Income Tax Act 2007 and references to "the Act" are references to that Act, unless stated otherwise. The letters "TAA" follow references to the Tax Administration Act 1994.

As with any area of law, there may be a variety of views on the application of the statutory provisions. The views expressed in this paper and during the course are the views of WHK Taylors as they stand as at November 2008. Others may hold a different view. Subsequent events such as new court decisions, new legislation, or new Inland Revenue Department statements or policies may lead us to revise our conclusions. However, we have done our best to ensure that this paper contains the most up to date information available.

Given the general nature of this paper and course, the authors do not intend it to be a substitute for specific professional advice. The authors accept no responsibility for any act done or omitted to be done in reliance on the information contained in this paper or presented during the course.

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*"The best course I've been to in ages, very practical & useful"*

*"Practical examples very helpful"*

*"Good examples, nice to see use of actual work portfolio report in case study, Brings it back to practical use"*