

# NEW ZEALAND INDIVIDUAL TAX RETURN GUIDE

## COMPLETING YOUR NEW ZEALAND TAX RETURN 2011-2012

To help you complete your New Zealand 'Individual Tax Return IR3', we have prepared some guidance notes for the questions regarding overseas income.

Please use these notes in conjunction with your New Zealand Tax Statement, which contains information about your investments with Perpetual.

### INFORMATION CONTAINED IN THIS GUIDE IS NOT TAX ADVICE

We recommend you consult your financial or taxation adviser or the New Zealand Inland Revenue Department when completing your 'Individual Tax Return IR3', as we are not able to provide you with any tax advice. To discuss any aspect of your investment with Perpetual, phone us, toll free, on 0800 442 261 during business hours (Sydney time).

### WHICH INCOME TAX RETURN FORM SHOULD YOU USE?

If you are an individual and a New Zealand resident taxpayer who has an investment in any of Perpetual's funds, you may be required to complete an 'Individual Tax Return IR3' for the New Zealand Inland Revenue Department.

Please see page 5 of the 'Individual Income Tax Return IR3 Guide 2012' for further information, including the circumstances where you must file an 'Individual Tax Return IR3'.

This guide is only applicable if you are completing an 'Individual Tax Return IR3'. Different rules may apply if you are preparing a return on behalf of a trust, partnership or company.

### OFFSHORE PORTFOLIO INVESTMENT RULES

Perpetual funds are registered Australian unit trusts. Accordingly, the foreign investment fund (FIF) rules may apply to your investment in Perpetual funds. Appendix A is a summary of the New Zealand tax treatment of foreign investments. We recommend you consult your financial or taxation adviser to determine how your investment in Perpetual funds will be taxed, taking into account your specific circumstances.

### CURRENCY

The information on your Tax Statement is in Australian dollars. You will need to convert these amounts to New Zealand dollars. To do this you will need to determine the relevant exchange rate to use.

You can obtain the relevant exchange rate(s) from the following sources:

- refer to the exchange rate tables found on the New Zealand Inland Revenue Department's website [www.ird.govt.nz](http://www.ird.govt.nz)
- refer to the exchange rate(s) in the New Zealand Inland Revenue Department's 2012 conversion of overseas income to New Zealand currency (IR270) leaflet, found on the New Zealand Inland Revenue Department's website [www.ird.govt.nz](http://www.ird.govt.nz)
- by calling the New Zealand Inland Revenue Department on **0800 377 774** (within New Zealand)
- by contacting the overseas section of a trading bank.

### QUESTIONS APPLYING TO OVERSEAS INCOME IN THE INDIVIDUAL TAX RETURN IR3

Questions 17 and 39 relate to income received from overseas in the 'Individual Tax Return IR3'.

**Question 17 – Overseas Income (refer to page 20 of the 'Individual Tax Return IR3 Guide 2012')**

**17. Did you receive any overseas income?**

No

Yes

Total overseas tax paid

17A \$

Total overseas income

17B \$

If you received income from a Perpetual fund or are subject to tax using the Fair Dividend Rate Method you are required to tick 'Yes'.

You can use the first page of your Tax Statement to help you calculate 'Total overseas income' from Perpetual. Please refer to A guide to foreign investment funds and the fair dividend rate (IR461), found on the New Zealand Inland Revenue Department's website [www.ird.govt.nz](http://www.ird.govt.nz).

Please note:

- a) you will need to calculate any 'Quick Sale' amounts separately using the information provided during the year
- b) if you have a number of foreign investments you will need to consolidate the information.

Once you have calculated and converted the Australian dollar amounts to New Zealand dollars, to complete Question 17 you should:

- enter the total Australian tax withheld amount, in New Zealand dollars, in the box next to 17A on your 'Individual Tax Return IR3'
- enter the total taxable income amount, in New Zealand dollars, in the box next to 17B on your 'Individual Tax Return IR3'.

The New Zealand Inland Revenue Department requires you to provide proof of any overseas tax paid. A copy of the front page of your Tax Statement or alternatively, a copy of your Distribution Statements could be used for this purpose.

**Question 39 – Foreign rights disclosure (refer to page 52 of the 'Individual Income Tax Return IR3 Guide 2012')**

**39. Did you at any time during the income year hold rights in a foreign: company, unit trust, superannuation scheme, or life insurance policy for which disclosure is required?**

No

Yes

While Perpetual funds fall within the definition of a Foreign Investment Fund, the New Zealand Inland Revenue Department has previously issued an exemption from disclosure for New Zealand investors who hold less than 10 per cent of an Australian unit trust, including Perpetual funds. The New Zealand Inland Revenue Department will advise in their May 2012 Tax Information Bulletin the foreign investments that do not require additional disclosure. If the disclosure exemption applies, you should tick 'no' unless you fall outside the disclosure exemption. For further information, please see page 52, in the 'Individual Income Tax Return IR3 Guide 2012'.

### IMPUTATION CREDITS

No New Zealand imputation credits were attached to any distributions made by Perpetual funds during the year ended 31 March 2012.

### DEDUCTIBILITY OF THE MEMBER ADVICE FEE

If you paid a member advice fee in relation to your investments in a Perpetual fund it may be deductible. This will depend on your circumstances and the nature of the services provided by your adviser – you should consult your tax adviser for further information.

## APPENDIX A

### NEW ZEALAND TAX TREATMENT FOR FOREIGN INVESTMENTS FROM 1 APRIL 2007

From 1 April 2007, the New Zealand tax treatment of foreign investments changed for most New Zealand investors in Perpetual Funds.

#### HOW WILL I BE TAXED?

Unless your investment meets an exemption, it will be subject to tax using the Fair Dividend Rate (FDR) method or the Comparative Value (safety net) method. Special rules apply to the conversion of foreign currency to New Zealand dollars when using these methods. You can use the 'Foreign Investment Fund' calculator on the New Zealand Inland Revenue Department's website to help you decide what method to use.

Under the FDR method, the taxable amount will be:

- five per cent of the opening market value<sup>1</sup> of all of your foreign investments and
- an amount calculated using the 'Quick Sale' rules for any foreign investments bought and sold in the same financial year.

Under the Quick Sale rules, you would be taxed on the lower of:

- your actual gain or
- five per cent of the cost of your investment sold (using an 'average cost basis' for all shares or units bought in the tax year).

If you're an individual or (certain) family trust investor you can rely on the 'safety net' option and pay tax on your actual returns (realised and unrealised) if this is less than five per cent of the opening market value of your foreign investments, as described above. If the actual return is a net loss you can't claim it as a deduction.

**We recommend that you consult your financial or taxation adviser to determine if the 'safety net' option provides a better outcome for the year ended 31 March 2012.**

If Australian withholding tax has been deducted from your distributions you may be able to offset it against your New Zealand income tax liability, up to the amount of the New Zealand tax paid in respect of your foreign investments.

#### WHAT ARE THE EXEMPTIONS?

There are two exemptions:

##### 1. \$NZ50,000 de minimus (individual investors only)

The original cost of all your foreign investments (not the market value) is relevant for this exemption – if this is equal to or less than \$NZ50,000 you won't be subject to the new rules. If you held any investment at 1 January 2000, you can choose to treat 50 per cent of its market value at 1 April 2007 as the original cost. If this exemption applies to you, you will continue to be taxed under the previous rules.

##### 2. Holdings of 10 per cent or more in a foreign company or unit trust (such as a fund within Perpetual Wholesale Funds and Perpetual WealthFocus Investment Funds).

If you hold 10 per cent or more of a foreign company or unit trust, that investment will generally remain taxable under the previous rules.

#### WHAT ARE THE PREVIOUS RULES?

##### DISTRIBUTIONS

Distributions are generally taxable as dividends when received or reinvested. The taxable amount is the cash distribution received plus any Australian withholding tax deducted, converted to New Zealand dollars. If Australian withholding tax has been deducted you may be able to offset it against your New Zealand income tax liability, up to the amount of the New Zealand tax paid on your distributions (net of any expenses).

##### WITHDRAWALS

In New Zealand there is a distinction between a withdrawal via a buy-back and a withdrawal via a redemption. Any gain from a buy-back of units generally isn't taxable providing you did not:

- deal or trade in such investments
- carry on a business of buying and selling such investments
- acquire the units with the dominant purpose of sale
- derive the gain as part of a profit making undertaking or scheme.

<sup>1</sup> Please note that the Perpetual Funds are priced daily.

Similarly, if the buy-back resulted in a loss, you're unlikely to be able to claim it as a tax deduction. If you make a withdrawal via a redemption of units, the amount may be taxable as a dividend or a gain on sale.

### **IMPORTANT INFORMATION**

As we can't provide you with tax advice, we recommend you see a tax adviser to determine the most appropriate tax treatment for your investment in Perpetual funds, taking into account your specific circumstances.

Following changes to Australian tax law, the majority of New Zealand resident investors will no longer be required to lodge an Australian income tax return. Accordingly, we no longer issue Australian tax statements to investors who have an address outside of Australia unless you contact us and request one after 30 June 2012.

The information in this guide is of a general nature only and should not be relied on. For general information about Australian tax for non-resident investors, see the current product disclosure statements for Perpetual funds at [www.perpetual.com.au](http://www.perpetual.com.au)

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### **FURTHER INFORMATION**

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