

Entrust Petition regarding dividend over taxation

Background:

Every year Entrust distributes a dividend to beneficiaries, and every year Aucklanders miss out on around \$14 million from that dividend due to being over-taxed by the government. For Aucklanders earning the least, that's up to \$90 a year of their dividend gone from their back pocket.

Petition Request:

Entrust is seeking a change in the Income Tax Act to remove the legislative barriers to enable Entrust to become a Listed PIE.

Detail regarding Petition Request:

As a listed PIE Entrust would be treated under the same tax rules as most New Zealand listed property entities and would be similar to the way KiwiSaver is taxed. This would reflect the reality that Entrust holds shares in Vector for all its beneficiaries and for those beneficiaries the Vector shareholding is an investment.

It is proposed that the PIE tax rate for Entrust be 17.5% being the marginal tax rate for individuals earning under \$48,000. The listed PIE rate is 28% but a lower tax rate is justified in the case of Entrust because investors in existing listed PIEs tend to have higher incomes than the average population but that is not the case with Entrust.

Listed PIE tax treatment for Entrust could be achieved by relatively simple amendments to the Income Tax Act to exclude Entrust from being taxed under the normal family trust rules (as is now the case) and be included in the entities that qualify for listed PIE tax treatment.