

# New Zealand Defence Force FlexiSaver Scheme

## Other Material Information – Taxation

October 2023

# Introduction

The following is a general statement only outlining Mercer's understanding of New Zealand taxation legislation as it affects the New Zealand Defence Force FlexiSaver Scheme (which is referred to in this statement as the Scheme), and New Zealand-tax resident Members. You are advised to consult your own independent tax adviser as to the taxation consequences of investing in the Scheme.

Mercer does not accept any responsibility for the taxation implications of your investment in the Scheme. Tax legislation, its interpretation and the rates and bases of taxation are subject to change, and the application of tax laws depends on your individual circumstances.

The Scheme's tax year is from 1 April to 31 March of the following year.

Your personal contributions to the Scheme are not tax deductible and are therefore made as after tax contributions.

## Portfolio Investment Entity (PIE)

The taxable income of the Scheme will be determined by applying the provisions of the Income Tax Act 2007 ("the Income Tax Act") to the Scheme's various investments. Because of the Scheme's PIE status, gains on disposal of shares in New Zealand companies and shares in certain Australian companies that are listed on an approved index of the Australian Securities Exchange will not be taxable income for the Scheme.

Mercer will attribute your share of the net income of each Investment Portfolio (or class within an Investment Portfolio, if applicable) to you, and will pay tax on that attributed income at your notified PIR (in accordance with the PIE tax rules in subpart HM of the Income Tax Act).

The Scheme will use daily allocation and attribution of the Scheme's taxable and non-taxable income (e.g. capital gains). This means that the income tax on your attributed income from the Scheme will be calculated and reflected in the Unit Price on a daily basis. In the event that your Member Account is insufficient to meet a tax liability of the Scheme on your attributed income, you are required to indemnify us for the shortfall.

The Scheme has elected to apply the exit calculation option and as such tax payments will be made and reflected against the provision for tax within the unit pricing at the following times:

- Monthly upon full redemptions (within one month of the end of the exit period).
- Annually within one month of the end of the tax year for current members.

If at any time, the value of your Units is, or could potentially become, insufficient to cover the Scheme's accrued tax liability on income attributed to you, this will be deemed a full withdrawal and tax will be deducted on account of the accrued liability.

The Scheme may receive a refundable tax credit for any net loss or for other excess tax credits which are attributed to you under the PIE tax rules in the Income Tax Act. The Scheme will pass on the benefit of any refund which results from that tax credit to you. Foreign tax credits are not refundable tax credits. For this reason, any foreign tax credits are applied against the PIE tax liability before New Zealand tax credits.

The effective tax rate on your investment income may vary from the stated PIRs. The effective tax rate for each Member will depend on the investment mix of each of the Investment Portfolios, as the taxable part of the investment return can vary between Investment Portfolios (for example, where an Investment Portfolio makes gains on the sale of New Zealand shares or certain Australian listed shares, those gains will not be taxable and the effective tax rate on the investment return will be lower).

Where fees are charged directly to your Member Account and those fees are tax deductible, the Scheme will apply those fees as a deduction against the net PIE income which is to be attributed to you. You cannot then claim a deduction for those fees in your income tax return.

Tax paid by the Scheme on income attributed to you is a final tax if you have notified us of your correct PIR and IRD number, and Mercer has been duly notified of any changes to your PIR. You should therefore pay no further tax in relation to that attributed income and you will not need to include that income as taxable income in your income tax return. Any distributions paid by the Scheme to you will also not be taxable and will not have to be included in your income tax return. Any PIE income attributed to you will not impact on your eligibility for family assistance, student loan repayments or child support obligations.

If the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall as part of the income tax year-end process. If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

This income tax and any associated tax penalties are not the responsibility of the Scheme or Mercer.

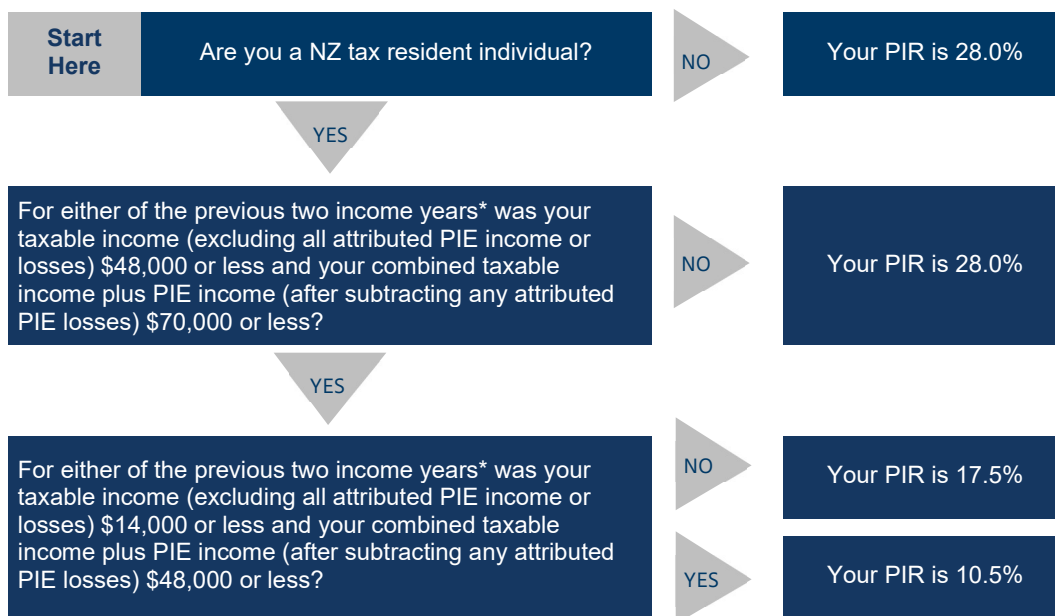
Inland Revenue has the discretion to override a notification of a PIR and to require us to apply an alternative rate where Inland Revenue considers that the notified PIR is incorrect.

# Prescribed Investor Rate (PIR)

If you are eligible for a PIR of less than 28% and wish that lower rate to apply to the Scheme's tax year beginning 1 April you must provide us with your PIR and IRD number. Mercer is not permitted by the Income Tax Act to retrospectively change the tax liability or tax credit attributed to you if you later notify a lower PIR.

PIRs are prescribed by the Income Tax Act and are generally based on your taxable income in either of the two income years preceding the Scheme's current tax year.

If you are not sure about your tax rate, you can work it out with this [PIR calculator](#). Alternatively, please refer to the PIR table below.



\*Previous two income years refers to the two years prior to the tax year that the PIR is being applied to.

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