AMP Investment Trust

6 December 2021

Tax

This document provides additional information on how tax will impact on your investment in the AMP Investment Trust (AIT or Scheme), and should be read with the Product Disclosure Statements (PDSs) for the Scheme.

It is based on AMP's understanding of New Zealand tax legislation as it applies to the Scheme and New Zealand-resident investors. Non-resident investors should seek their own tax advice in their country of residence, including tax treatment of payments or transfers to or from 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 an investor's circumstances. Neither AMP nor The New Zealand Guardian Trust Company Limited, the supervisor of the Scheme, accept any responsibility for the taxation implications of investors investing in the Scheme. Investors are advised to consult their own qualified tax adviser.

If you invest in the AIT through a Service Provider, the timing of tax calculations and collections and the deduction of fees may differ from the information provided here. Please contact your Financial Advice Provider for more information.

A little help.

AMP

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The Scheme is a PIE

The Scheme is a Portfolio Investment Entity (PIE). This means we can calculate the tax payable on each investor's Scheme investment income based on their Prescribed Investor Rate (PIR), and pay tax directly to Inland Revenue. To determine your PIR, go to **amp.co.nz/pie**.

IRD Numbers

You must provide us your IRD number to join the Scheme.

Prescribed Investor Rates

Individuals

Your PIR is based on your taxable income and attributable PIE income in either of the two tax years preceding the current tax year (with each tax year commencing on 1 April and ending on the following 31 March). You are responsible for providing your PIR for a particular tax return period to the Scheme. We will remind you to check your PIR annually. You must notify AMP as soon as practicable if your PIR changes. The Inland Revenue can also instruct us to apply a different PIR to the one notified by you.

Currently there are three tax rates available for New Zealand tax resident individuals who provide their IRD numbers to the Scheme. These rates are 10.5%, 17.5% and 28%. The PIR for non-residents is 28%. The eligibility criteria are as follows:

PIR	Eligibility criteria
10.5%	NZ tax resident investors who provide their IRD number and who had in either of the 2 tax years immediately before the current tax year: $14,000 or less in taxable income* (excluding PIE income); and $48,000 or less in taxable income* and net attributed income from PIEs (i.e. after subtracting any attributed tax losses from PIEs).
17.5%	NZ tax resident investors who provide their IRD number and who had in either of the 2 tax years immediately before the current tax year: $48,000 or less in taxable income* (excluding PIE income); and $70,000 or less in taxable income* and net attributed income from PIEs (i.e. after subtracting any attributed tax losses from PIEs).
28%	NZ tax resident investors who do not meet the criteria for a 10.5% or 17.5% PIR.
28%	Non-resident investors.
28%	Default rate for investors who do not provide their IRD number to us and/or do not elect a PIR.

*Taxable income includes worldwide income, including where the investor was not a resident in New Zealand when that income was earned. If a newly-resident investor chooses not to include their worldwide income when calculating their PIR, the PIE income must be included in an income tax return.

For tax years ending on or before 31 March 2020, if you were eligible to elect a lower PIR and notified a higher PIR to us in error, or failed to advise a change to a lower PIR, Inland Revenue will not refund any excess tax paid for those years. From 1 April 2020, Inland Revenue may return any excess tax paid.

For tax years ending on or before 31 March 2020, if you notified a lower PIR to us in error, or did not advise a change to a higher PIR, you may be required to file an income tax return on the shortfall for the relevant tax year, and tax may be payable at your marginal tax rate plus any interest and penalties. From 1 April 2020, the Inland Revenue may automatically calculate any additional tax you may owe.

If a tax return is required to be filed, you will receive a tax credit for the tax paid by the Scheme on your behalf.

Joint investors

If you're investing with another person, the PIE income or loss will be allocated solely to the first named of the joint investors listed in the Application Form with the highest PIR of the joint investors being applied to calculate tax.

Trusts (other than charities)

Trusts have the ability to select a PIR of 0%, 17.5% or 28% that is best suited to the beneficiaries of the Trust. A testamentary trust can also select a PIR of 10.5%.

If a PIR of less than 28% is selected, attributed PIE taxable income, relevant tax credits and PIE tax payments from the Scheme should be included in an income tax return. There are restrictions on the inclusion of a PIE taxable loss in a Trust's tax return if the Trust has selected a PIR of 10.5% or 17.5%. There are also limitations on the use of attributed foreign tax credits. For more information, we recommend you seek tax advice or contact the Inland Revenue.

Charities

The PIR for charitable trusts is 0%. For more information, we recommend you seek tax advice or contact the Inland Revenue.

Corporate

The PIR for corporate investors is 0%. All attributed PIE taxable income or loss and relevant tax credits (allowing for limitations on the use of attributed foreign tax credits) from the Scheme should be included in an income tax return. For more information, we recommend you seek tax advice or contact the Inland Revenue.

Tax rules applying to Scheme investments

The Scheme is a PIE and pays tax calculated at each investor's PIR. The highest PIR for individuals is 28%.

The PIE tax rules in the Income Tax Act determine the tax treatment of all income and expenses of the Scheme. Generally, assets are taxed as described below. The Funds may be indirectly invested in some or all of these assets:

Asset	Tax payable on capital gains/losses	Tax payable on dividends and interest	Tax payable on deemed 5% return, per 'Fair Dividend Rate' (FDR) method (see below)
New Zealand equities	No	Yes	No
Australian equities^	No	Yes	No
Australian Unit Trusts (AUT) (see below)*	No	No	Yes
Global equities	No	No	Yes
Cash and cash equivalents, fixed interest, currency hedges (see below) and other financial instruments	Yes	Yes	No**

^This treatment applies to most listed Australian equities. Other Australian equities are generally treated in the same manner as global equities.

*Some limited exemptions apply, see below for additional information.

**In some circumstances, currency hedges will be taxed on a full foreign exchange rate gain or on a deemed 5% return, see below for additional information.

FDR method

Most investments in Global equities and AUTs are taxed using the FDR method. This means that actual changes in value are not taxed, instead these investments will be taxed as if they earned a 5% return regardless of their actual return, i.e. 5% of the daily market value of these investments will be taxed even when the investments have not increased in value and/or have decreased in value. Any gains and losses or dividends and distributions from these investments are not taxed separately.

Currency hedges

Some funds take out currency hedges to protect investors from fluctuations in the value of overseas investments, due to movements in the value of the New Zealand dollar. Gains and losses on currency hedging are generally fully taxable which means that tax may be payable on the full foreign exchange gain at the investor's PIR, even when the value of the investments the hedge is protecting have not increased in value and/or have decreased in value.

Some funds may be able to apply FDR to the foreign currency hedge in very limited circumstances, resulting in the hedge being taxed at approximately the same rate as the investments the hedge is protecting. That is, broadly, tax is paid at an investor's PIR on 5% of the market value of the hedge.

AUT exemptions

Some AUTs may be exempt from applying FDR and are therefore taxed as Australian equities.

Such exemptions for units in an Australian tax resident unit trust will apply where there is a Resident Withholding Tax (RWT) proxy (a NZ entity that administers payments and deducts RWT) in relation to payments from the AUT, and the AUT either (a) turns over a minimum of 25% of its profit-making shares each year or (b) distributes at least 70% of its distributable gains each year.

Calculation of tax by the Scheme

We apply the tax rules to the Scheme's investments and calculate taxable income and tax credits on a daily basis. We then calculate your share of the Scheme's total tax liability based on:

- Your daily unit holding in Scheme funds (and thus your share of the Scheme's taxable income, deductible expenses and tax credits).
- Your PIR.
- Any additional deductible fees charged to you by cancelling units in your account e.g. administration fees.

Where we are not able to take a deduction in your PIE tax calculation for some other fees charged to your cash management account (CMA) we will note this in your annual GST invoice. Some of these other fees may be able to be deducted in your income tax return. We recommend you discuss this with your tax adviser.

How the Scheme takes care of tax payments and rebates

The amount of tax payable by the Scheme to Inland Revenue is the sum of the tax payable by each investor on their attributed income in a tax return period, calculated at the investor's PIR.

Tax is collected from you at the end of each tax year and at the time of full withdrawal, based on the year-to-date accrual. Tax may also be collected during the year if there is a risk you will have an insufficient remaining balance to pay your year-to-date tax accrual. We will test this risk every month, as well as when you make withdrawals or update your PIR.

Tax is collected by cancelling units held in your account. In other words, by selling some of the underlying investment assets.

From time to time you may be due a tax rebate. For instance, if your share of tax credits earned by the Scheme exceeds your tax liability, we will claim a rebate of tax from Inland Revenue on your behalf. If a rebate is due we will issue further units to you; in other words, buy further investment assets. If a rebate is due at the time you transfer to another scheme, the rebate will be paid to the new scheme. If a rebate is due at the time you make a full withdrawal, it will be paid along with other proceeds to your bank account.

Tax on withdrawals from the Scheme

As tax has already been calculated and collected (or rebated) on investment income, withdrawals made from the Scheme are not subject to further tax.

No further taxes will be deducted from amounts payable to non-resident investors.

Your PIE Tax Statement

We will provide you with a PIE tax statement for each tax year ended 31 March, which will include all attributed PIE taxable income or loss from the Scheme. The tax statement will be provided by the 31 May following the end of the tax year.

How the CMA is taxed

Resident withholding tax (RWT) will be deducted from interest you earn in your CMA, unless you hold a certificate of exemption, and paid directly to Inland Revenue. You are responsible for providing your RWT rate and your IRD number otherwise RWT will be deducted at the 'no-notification rate' of 45% from 1 April 2020 (previously 33%). For current RWT rates or for more information, go to **ird.govt.nz.**

If you're a non-resident, non-resident withholding tax (NRWT) will be deducted at a rate of up to 15%. The rate of NRWT will depend on the Tax Treaty between New Zealand and your country of tax residence.

GST

Goods and Services Tax (GST) will be added to fees and expenses where applicable.

GST on management fees is charged at a rate of 15% on 10% of the management fee charged. The Inland Revenue is reviewing the GST treatment of unit trust management fees and the portion of the management fee subject to GST may change in future without notice.

Glossary

AMP, **we**, **our**, **us** and **the Manager** means AMP Wealth Management New Zealand Limited, the manager of the AMP Investment Trust.

CMA means Cash Management Account.

Current or **currently** means that legislation, policy or a practice is current as at the date of this document but may change at any time without notice.

FDR means Fair Dividend Rate. A method used to calculate tax on attributing interests in offshore investments.

GST means the tax payable under the New Zealand Goods and Services Tax Act 1985.

NRWT means Non-Resident Withholding Tax. NRWT is deducted from non-resident passive income, which includes NZ source interest, dividends and royalties paid to non-residents.

PDSs means the Product Disclosure Statements for the AMP Investment Trust. There are currently three PDSs.

PIE means a Portfolio Investment Entity as defined in the Income Tax Act 2007.

PIR means Prescribed Investor Rate.

Portfolio Service means the administration and custodial service, such as a personalised portfolio or wrap account service, through which you invest in the Funds.

RWT means Resident Withholding Tax. RWT is deducted from interest or dividend income attributed to a New Zealand tax resident.

Scheme or **AIT** means the AMP Investment Trust.

Service Provider means the provider of administration and custodial services (such as a personalised portfolio or wrap account service) through which you invest in the Funds, and includes any duly appointed nominee of that provider.

Supervisor means The New Zealand Guardian Trust Company Limited, the supervisor of the Scheme.

You, your or **investor** means the person who has invested in a fund either directly, or for the eInvest Funds via the Portfolio Service (i.e. the beneficial owner of the units).

Phone 0800 267 111
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Want to know more?

For more information about the AMP Investment Trust, please see the AMP Investment Trust's current Product Disclosure Statements at **amp.co.nz/forms** or talk to your Adviser or conta
us on 0800 267 111.

A little help.