AMP KiwiSaver Scheme

22 June 2020

Tax

This document provides additional information on how tax will impact on your investment in the AMP KiwiSaver Scheme (Scheme), and should be read with the Product Disclosure Statement (PDS) for the Scheme and any quarterly fund updates given to you with the PDS.

It is based on AMP's understanding of New Zealand tax legislation as it applies to the Scheme and New Zealand-resident members. Non-resident members 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 a member's individual circumstances. Neither AMP nor The New Zealand Guardian Trust Company Limited, the supervisor of the Scheme, accept any responsibility for the taxation implications of members investing in the Scheme. Members are advised to consult their own qualified tax adviser.

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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 your Scheme investment income based on your Prescribed Investor Rate (PIR), and we will pay tax directly to Inland Revenue. To determine your PIR, go to **amp.co.nz/pie**.

Tax on contributions to the Scheme

Your regular contributions to the Scheme are calculated as a percentage of your before-tax salary and wages and are paid from your after-tax income through your employer payroll system.

Employer contributions to the Scheme are also calculated as a percentage of before-tax salary and wages. Employer Superannuation Contribution Tax (ESCT) is deducted from all employer contributions before they are paid through to the Scheme at the following rates:

ESCT rate threshold amount*	Tax rate
$0 - $16,800	10.5%
$16,801 - $57,600	17.5%
$57,601 - $84,000	30%
$84,001 upwards	33%

*The ESCT rate threshold amount comprises the total of your taxable earnings and the before-tax employer superannuation contributions (comprising KiwiSaver scheme and any registered superannuation scheme contributions) made for your benefit in the previous income year (that is, the 12 months to the last 31 March). ESCT rates and thresholds may change in the future. If your current employer did not employ you for all of the previous income year, the above rates will be based on estimates of your expected taxable earnings and employer superannuation contributions for the current income year.

IRD Numbers

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

Prescribed Investor Rates

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.

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**

*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)
– Any additional deductible fees charged to you e.g. monthly investor fees and administration fees
– Your PIR.

You can view your year-to-date tax accrual in My AMP.

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 KiwiSaver 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 tax report

We will provide you with a PIE tax statement for each tax year ended 31 March. The statement will be provided by the 30 June following the end of the tax year.

PIE taxable income, tax credits and tax payments do not generally need to be included in a personal tax return. The exception is where an investor has advised a lower PIR than the PIR for which they qualify.

Tax on contributions from Australian complying superannuation funds

There is no New Zealand tax to pay when you transfer your Australian complying superannuation fund savings to the AMP KiwiSaver Scheme. If you are transferring your AMP KiwiSaver Scheme savings to Australia, you may have Australian tax to pay.

Australia and New Zealand have different rules for calculating taxable income, as well as different tax rates. You should seek independent specialist advice on how that tax law applies to your individual circumstances.

UK Pension Transfers

Prior to 6 April 2015, the Scheme was a qualifying recognised overseas pension scheme (QROPS) and could accept UK pension transfers. Following a legislation change in the United Kingdom, UK pension transfers can no longer be made into the Scheme. However, this position may change in the future.

If you have previously transferred funds from a UK registered pension scheme or make a withdrawal, you may have New Zealand and/or UK tax to pay and you may have New Zealand student loan repayment obligations. Tax relating to UK pension transfers is complex and you should seek independent specialist advice on how the tax law applies to your individual circumstances.

We may be required to report certain matters to Her Majesty's Revenue and Customs. This occurs when an investor who has transferred amounts to the Scheme, being amounts which have UK tax-relieved status, withdraws or transfers to another KiwiSaver scheme or an overseas superannuation scheme.

Glossary

AMP, **we**, **our** and **us** means AMP Wealth Management New Zealand Limited, the manager of the AMP KiwiSaver Scheme.

Australian complying superannuation fund means an entity that is a complying superannuation fund for the purposes of Part 5, Division 2 of the Superannuation Industry (Supervision) Act 1993 (Aust) and that is regulated by the Australian Prudential Regulation Authority.

ESCT means Employer Superannuation Contribution Tax. ESCT is deducted from all employer contributions made to a KiwiSaver scheme.

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

PDS means the Product Disclosure Statement for the Scheme.

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

PIR means Prescribed Investor Rate.

QROPS means qualifying recognised overseas pension scheme.

Quarterly fund update means a quarterly fund update prepared for an investment option within the Scheme.

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

Salary or **wages** means the taxable income paid in respect of your employment with:

- the employer through which you have been automatically enrolled into KiwiSaver; or
- if you opt into KiwiSaver, your employer (or employers, if you have more than one job, unless you choose only one or more employers); and
- any employer that later employs you.

This includes overtime, bonuses, and certain allowances. It also excludes, for compulsory employer contribution purposes, parental leave payments out of public money, and ACC compensation. It excludes exempt income payments, employer superannuation contributions, and redundancy payments.

Scheme means the AMP KiwiSaver Scheme.

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Want to know more?

For more information about the Scheme, please see the Scheme's current Product Disclosure Statement and most recent quarterly fund updates at amp.co.nz/kiwisaver or contact us on 0800 AMP KIWI (0800 267 5494) or talk to your Adviser today.

Your Adviser's disclosure statement is available from your Adviser on request and free of charge.