Other Material Information – Tax

This document relates to the Kiwi Wealth KiwiSaver Scheme ('Scheme') and should be read in conjunction with the Scheme's Product Disclosure Statement.

In this document Kiwi Wealth Limited ('we', 'our', or 'us') provide a general overview of how tax affects your investment.

The information in this document could change in the future. Please check the offer register at http://www.disclose-register.companiesoffice.govt.nz for any updates.

Contents

Important note

The information in this document is intended as general guidance only. We recommend that you seek professional tax advice regarding your individual circumstances prior to investing so that you clearly understand the tax implications of such an investment.

We recommend that you also monitor the tax implications of investing in the Scheme and not assume that the position will remain the same as it is when you start investing. Neither we, the Supervisor nor any other person accepts any responsibility for the tax consequences of your investment in the Scheme.

What taxes will you pay?

The Scheme is registered as a portfolio investment entity (PIE), more specifically a multi-rate PIE, and the following comments are based on the Scheme remaining a multi-rate PIE.

As a PIE, income earned by the Scheme will be attributed to all members in proportion to their interests in the Scheme. We will pay tax to Inland Revenue on your behalf and undertake any adjustments to your interest in the Scheme to comply with PIE tax requirements.

We calculate your tax on this income based on your prescribed investor rate (PIR), which can be 10.5%, 17.5% or 28%. These tax rates are set by legislation, and you are responsible for making sure we have your correct PIR on record. If you do not tell us your PIR, your income will be taxed at the highest rate.

For information on determining your PIR please visit the Inland Revenue website at www.ird.govt.nz/toii/pir/workout/ or call them on 0800 227 774.

You can advise us of your PIR at any time, including when it changes, by contacting the Kiwi Wealth Customer Services team on 0800 427 384, or questions@kiwiwealth.co.nz.

If you don't provide us with your PIR, the income attributed to you in the Scheme will be taxed at the maximum allowable rate (the default rate). Provided that you advise us of your correct PIR, tax paid by the Scheme on income attributed to you will generally be a final tax. Therefore, you should not have an obligation to file a New Zealand income tax return in respect of PIE income attributed to you from the Scheme.

If you have not advised us your correct PIR and consequently your PIE income is taxed at a:

- higher PIR than it should have been, Inland Revenue will not refund any tax overpayment
- lower PIR than it should have been, you may be liable to Inland Revenue for further tax and penalties and have to file an income tax return.

You should note that the Commissioner of Inland Revenue is able to notify the Scheme to disregard a PIR advised by you if the Commissioner considers the rate to be incorrect and will notify the Scheme of the PIR that is to be applied. The rate notified by the Commissioner would then apply in respect of your income in the Scheme.

Calculating PIE tax

The Scheme pays PIE tax to Inland Revenue on a quarterly basis.

The Scheme's tax position for a quarter is calculated as the sum of its members' tax positions (based on their respective PIRs) for the quarter. If, in a quarter, the sum of members' tax positions means the Scheme makes a tax loss, or if the Scheme has more New Zealand tax credits attributed to it than are required to meet its tax liability, generally we will claim a tax credit from Inland Revenue. When received, each member's proportional share of that tax credit will be allocated to that member's account.

As a PIE, any gains made by the Scheme from disposing of shares in New Zealand resident companies and certain Australian resident listed companies will be excluded from its taxable income. Tax on most overseas shares and interests in managed funds held by the Scheme will be calculated using either the fair dividend rate (FDR) or the comparative value (CV) methods, depending on the nature of the investment and any determinations issued by the Commissioner of Inland Revenue.

Under the FDR method, the Scheme will be deemed to have derived taxable income equal to 5% of the opening market value of the relevant overseas shares and interests in managed funds at the start of a valuation period. This is adjusted for any quick sales (being relevant overseas shares and interests in managed funds purchased and sold within the same period). Any dividends or other returns flowing from overseas shares and interests in managed funds that are taxed under the FDR method will not be separately taxed in New Zealand. Also under the FDR method, tax deductions may not be made for any losses in respect of holdings in overseas shares and interests in managed funds.

Under the CV method, the Scheme will derive taxable income equal to the difference between the value of the relevant overseas shares and interests in managed funds at the end of a valuation period and the value of those shares and interests at the start of that valuation period, with adjustments made for certain gains (including any relevant dividends and tax credits, and any proceeds from disposing of the relevant shares and interests) and costs (including any relevant foreign income tax that is paid or payable and any costs in relation to purchasing the relevant shares and interests).

Most overseas shares and interests in managed funds held by the Scheme are taxed under the FDR method.

Tax payable on the Scheme's other income (eg, interest on bank deposits) will be calculated according to the relevant tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

Where the Scheme invests in funds that are themselves PIEs, the funds should attribute PIE income to the Scheme to be taxed in the same way as if the underlying investments had been held by the Scheme directly.

Tax liability

If the balance of your member account is insufficient to meet any tax liability attributed to you under the Income Tax Act 2007, then you will, at our discretion, indemnify us (and where applicable, the Supervisor) in respect of any tax payable.

If you have previously transferred funds from a UK pension plan to the Scheme (UK Transfer) you will be liable for any tax liability that may be incurred as a result of later withdrawing that UK Transfer. You should seek tax advice before transferring funds from a foreign superannuation scheme into the Scheme.