INVESTNOW

INVESTOR TAX GUIDE

Updated 31.03.2024



InvestNow does not provide personalised investment or tax advice. This guide does not constitute a warranty or advice. You should seek independent professional expert advice on investments, tax, legal and accounting matters.

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GUIDE INFORMATION

Aim of guide

This guide is intended to provide general information on aspects of New Zealand's tax legislation which are relevant to investors using the InvestNow platform. This guide also explains how to use InvestNow Tax Summary Reports to prepare an income tax return (IR3), if required.

For simplicity, this guide has been prepared in relation to InvestNow investors with individual or joint accounts who are New Zealand tax residents*. We recommend that non-resident, trust, company and other investors seek independent tax advice.

Please note, individual circumstances may differ, and tax situations may change if additional investments are held outside of InvestNow's custody. InvestNow does not provide independent tax advice, and we recommend seeking professional tax advice to ensure individual tax obligations are met.

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*Different rules may apply to new migrants who are "transitional residents" for income tax purposes. Therefore, we recommend new residents seek independent tax advice.

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TYPES OF FUNDS OFFERED BY INVESTNOW

For tax purposes, there are three types of funds available on InvestNow (along with term deposits):

Unlisted multi-rate Portfolio Investment Entities (PIEs)

The majority of funds available on InvestNow are PIEs. When you invest in an unlisted PIE, InvestNow will pay tax on income attributed to you by the PIE during the tax year, at your nominated Prescribed Investor Rate (PIR), less any attributed tax credits. Provided that tax has been deducted at the correct PIR, this is a final tax (note that the situation may differ for trusts or companies). Distributions (dividends) paid by unlisted PIEs are excluded income and do not need to be included in your tax return.

PIE tax is deducted either when you sell units in a PIE fund, or after March 31 each year – if you do not have enough cash in your InvestNow account, we will sell units in your largest holding to cover it. If the amount of PIE tax credits attributed to you is higher than the tax amount, you would receive a PIE tax refund. A PIE Tax Certificate will be made available for you to download from the My Documents page in the InvestNow portal.

Our sub-custodian, Adminis Custodial Nominees Ltd, sends details of your PIE attributed income and PIE tax to the IRD each year. The IRD will use this information to pre-populate your income tax return and will check that tax has been deducted at your correct PIR – if not, the underpayment or overpayment will be included in your income tax summary. For joint accounts where we hold IRD numbers for both members, the IRD will automatically split the income equally between each member. This split can be manually adjusted in MyIR.

Listed Portfolio Investment Entities (PIEs)

Listed PIEs on InvestNow are the Exchange Traded Funds (ETFs) offered by Smartshares. During the year, you may have received dividends from these funds. The dividends may include tax credits known as imputation credits, which are credits for NZ tax already paid by the companies the ETF is invested in, to ensure that the income isn't taxed twice. While you are not required to include Listed PIE distributions and related imputation credits in your income tax return, you can include the taxable (imputed) portion if you prefer. Including the dividends may be beneficial if your tax rate is less than 28%, as this will result in excess imputation credits that can be used to reduce the tax payable on your other income.

Australian Unit Trusts (AUTs)

Australian Unit Trusts on InvestNow include select funds offered by Vanguard, Ellerston, Dexus, and India Avenue. Income from these funds is subject to the Foreign Investment Fund (FIF) rules if you are not a de minimis investor, and the related FIF income must be included in your tax return. If you are a de minimis investor, then the distributions you receive from these funds should be included in your tax return.

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FOREIGN INVESTMENT FUND (FIF) RULES EXPLAINED

De minimis exception from FIF rules

InvestNow has not deducted Resident Withholding Tax (RWT) from any dividend income received from an AUT on the assumption that the FIF rules apply to you as an investor. However, individuals can choose not to apply the FIF rules if the de minimis exception applies. This exception applies if the total cost of your FIF investments did not exceed NZ$50,000 at any point during the income year. If the de minimis exception applies, you pay tax on the value of the dividends or distributions received from your FIF investments. You can choose to calculate your income using the FIF rules instead - however, if you elect to do this, you must apply the FIF rules for the next four years.

FIF calculations

If you held units in any AUT during the income year, FIF calculations will be included in your Tax Summary Report. There are two calculation methods for which we report information:

- Fair Dividend Rate (FDR) - 5% of the opening market value at the beginning of the income year, plus a quick sale adjustment if you bought and then subsequently sold units in the same fund during the year.
- Comparative Value (CV) – Closing value plus gains, minus opening value plus costs. Gains include dividends, sale proceeds and tax credits. Costs include the cost of buying units, along with foreign income tax paid by you directly on income of the FIF (i.e. this would not ordinarily include withholding taxes).

Individual or joint investors can choose which of these calculation methods to use. We provide both calculations so that you can choose which method is more beneficial for you. You must use the same calculation method for all of your FIF investments. Also, you cannot claim a FIF loss in relation to any of the AUTs held on InvestNow. InvestNow's tax reports convert foreign currency amounts based on the exchange rate as of the day of the transaction. If you use, or have previously used, a different methodology in relation to your FIF investments, we recommend seeking independent tax advice on the approach required.

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Foreign tax credits

Australian withholding tax may have been deducted on dividends received from your AUT holdings. You may be able to claim this as a credit against your New Zealand income tax liability; however certain limits apply. The credit available in relation to tax withheld from a specific fund cannot exceed your New Zealand tax liability on that fund for the relevant year – if you did not receive any FIF income from a particular fund, you will not be able to claim the foreign tax credit.

Due to the way New Zealand's income tax legislation operates, it is not possible for InvestNow to determine the total foreign tax credit (if any) available to you without access to information on all of your income and expenses. Therefore, our tax reports specify the total foreign tax withheld.

If you have any questions regarding your ability to claim a foreign tax credit, we recommend you refer to Inland Revenue's "Guide to foreign investment funds - IR461" or contact your tax advisor.

INVESTNOW TAX REPORT

Understanding your InvestNow Tax Summary Report

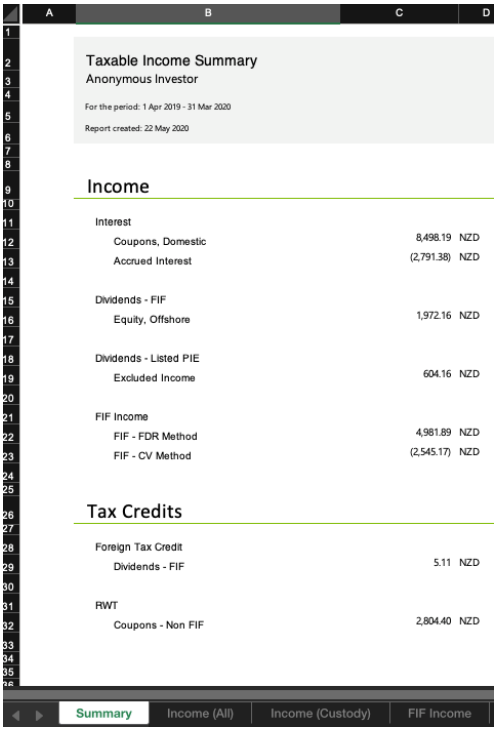
You will receive your Tax Summary Report as an Excel spreadsheet with several tabs. The report can be requested and downloaded from the 'My Documents' page in your InvestNow account.

Summary

The Summary tab shows the totals of the different types of income you have received, including:

- Interest from term deposits (coupons)
- FIF dividends
- Listed PIE dividends
- FIF income according to both the FDR and CV calculation methods
- Taxable income from unlisted PIEs
- Unrealised currency gains

Under 'Tax Credits' it shows the amount of foreign tax withheld on AUT dividends, RWT withheld on term deposit interest and imputation credits on listed PIE dividends.



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Income (All)

The Income tab shows a list of all the interest, dividends and distributions received over the year, separated by fund type (Coupons, PIE, Listed PIE and FIF) with subtotals next to each fund type. The gross income and the tax credits are shown for each dividend. Note that the tax treatment of the amount doesn't depend on whether or not your dividends were reinvested.

Coupons

Description	Income	RWT	NRWT	AIL	FTC	Imputation	Franking
Domestic	8,498.19	2,804.40	-	-	-	-	-
BNZ TD 3.27% 15 Apr 2019	815.26	269.04	-	-	-	-	-
BNZ TD 3.270% 07 Aug 2019	1,621.56	535.11	-	-	-	-	-
BNZ TD 3.280% 01 Aug 2019	1,626.52	536.75	-	-	-	-	-
BNZ TD 3.420% 29 Oct 2019	2,814.30	928.72	-	-	-	-	-
SBS Bank TD 3.250% 12 Aug 2019	1,620.55	534.78	-	-	-	-	-

Dividends - PIE Fund

Description	Income	RWT	NRWT	AIL	FTC	Imputation	Franking
Equity, Domestic	1,888.96	-	-	-	-	-	-
AMP Capital Global Property Securities Fund	487.43	-	-	-	-	-	-
Devon Alpha Fund	74.77	-	-	-	-	-	-
Devon Dividend Yield Fund	507.83	-	-	-	-	-	-
Harbour NZ Core Fixed Interest Fund	112.39	-	-	-	-	-	-
Harbour NZ Corporate Bond Fund	469.64	-	-	-	-	-	-
Nikko AM Income Fund	223.10	-	-	-	-	-	-
Nikko AM NZ Cash Fund	13.80	-	-	-	-	-	-

Dividends - Listed PIE

Description	Excluded	Imputed	RWT	NRWT	AIL	FTC	Imputation	Franking
	604.16	-	-	-	-	-	-	-
Smartshares - NZ Mid Cap Fund (NS) (MDZ)	604.16	-	-	-	-	-	-	-

Dividends - FIF

Description	Income	RWT	NRWT	AIL	FTC	Imputation	Franking
Equity, Offshore	1,972.16	-	-	-	5.11	-	-
Russell Emerging Markets Fund Class B	85.18	-	-	-	-	-	-
Vanguard International Shares Select Exclusions Index Fund	1,886.98	-	-	-	5.11	-	-

Income (Custody)

This tab shows non-PIE income (you will not need to refer to it when preparing your tax return).

FIF Income

This tab shows the workings for the two FIF income calculations (FDR and CV), side by side, for each of the AUT funds that you invest in. You can refer to this tab if you need to check how much FIF income comes from a particular fund.

CV Method

Security	Open Value	Acquisitions	Disposals	Gross Income	Close Value	CV Income
Russell Emerging Markets Fund Class B	-	10,000.00	-	-	9,757.60	(242.40)
Vanguard International Shares Select Exclusions Index Fu	-	19,101.92	-	390.18	20,324.47	1,612.73
Vanguard Intl Shares Select Exclusions Index Fund - NZD	-	25,429.35	-	429.35	26,993.19	1,993.19
Russell Global Opportunities Fund $NZ Hedged B	2,067.96	497.32	-	497.32	2,333.42	265.46
					Total	3,628.98

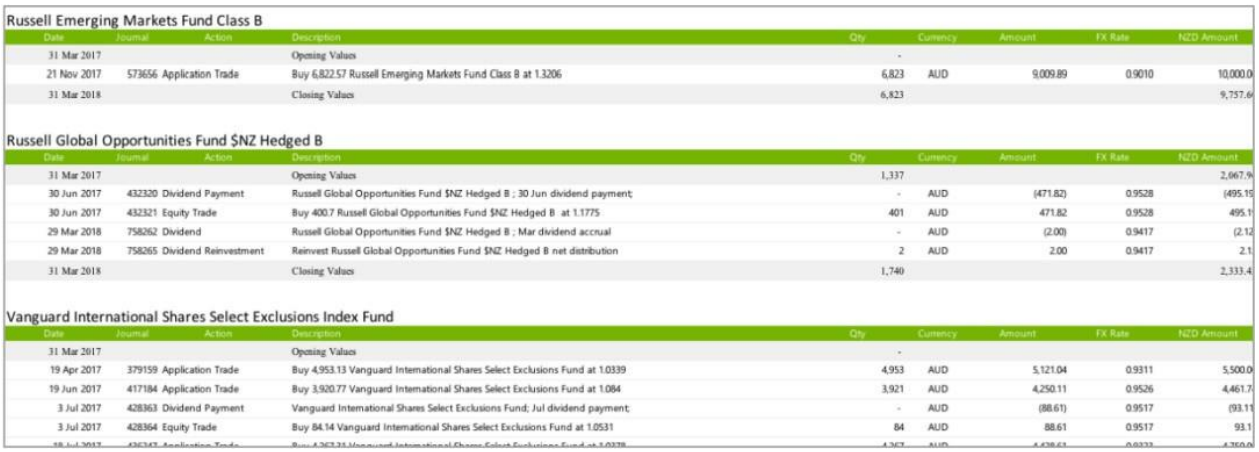
FDR Method

Holdings Open	Peak	Close	Acquisitions Avg Cost	Quick Sale Disposals Total	Vol	Peak Holding Adjustment	Actual Gain	Quick Sale Adjustment	Open Value x 5%	FDR Income
-	6,823	6,823	1.47	-	-	-	-	-	-	-
-	16,822	16,822	1.14	-	-	-	-	-	-	-
-	23,200	23,200	1.10	-	-	-	-	-	-	-
1,337	1,740	1,740	1.24	-	-	-	-	-	103.40	103.40
									Total	103.40

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FIF Activity

You can check this tab if you need more detail about your transactions for a FIF fund or if you want to check the figures used in the FIF calculations. It shows the amounts, prices, dates and applicable FX rate for all of your FIF transactions during the year.



Russell Emerging Markets Fund Class B

Date	Journal	Action	Description	Qty	Currency	Amount	FX Rate	NZD Amount
31 Mar 2017			Opening Values	-				
21 Nov 2017	573656	Application Trade	Buy 6,822.57 Russell Emerging Markets Fund Class B at 1.3206	6,823	AUD	9,009.89	0.9010	10,000.0
31 Mar 2018			Closing Values	6,823				9,757.6

Russell Global Opportunities Fund $NZ Hedged B

Date	Journal	Action	Description	Qty	Currency	Amount	FX Rate	NZD Amount
31 Mar 2017			Opening Values	1,337				2,067.9
30 Jun 2017	432320	Dividend Payment	Russell Global Opportunities Fund $NZ Hedged B ; 30 Jun dividend payment;	-	AUD	(471.82)	0.9528	(495.1
30 Jun 2017	432321	Equity Trade	Buy 400.7 Russell Global Opportunities Fund $NZ Hedged B at 1.1775	401	AUD	471.82	0.9528	495.1
29 Mar 2018	758262	Dividend	Russell Global Opportunities Fund $NZ Hedged B ; Mar dividend accrual	-	AUD	(2.00)	0.9417	(2.12
29 Mar 2018	758265	Dividend Reinvestment	Reinvest Russell Global Opportunities Fund $NZ Hedged B net distribution	2	AUD	2.00	0.9417	2.1
31 Mar 2018			Closing Values	1,740				2,333.4

Vanguard International Shares Select Exclusions Index Fund

Date	Journal	Action	Description	Qty	Currency	Amount	FX Rate	NZD Amount
31 Mar 2017			Opening Values	-				
19 Apr 2017	379159	Application Trade	Buy 4,953.13 Vanguard International Shares Select Exclusions Fund at 1.0339	4,953	AUD	5,121.04	0.9311	5,500.0
19 Jun 2017	417184	Application Trade	Buy 3,920.77 Vanguard International Shares Select Exclusions Fund at 1.084	3,921	AUD	4,250.11	0.9526	4,461.7
3 Jul 2017	428363	Dividend Payment	Vanguard International Shares Select Exclusions Fund; Jul dividend payment;	-	AUD	(88.61)	0.9517	(93.1
3 Jul 2017	428364	Equity Trade	Buy 84.14 Vanguard International Shares Select Exclusions Fund at 1.0531	84	AUD	88.61	0.9517	93.1

Unrealised Gains

If you held AUD on 31 March 2024, any unrealised gains or losses due to foreign exchange movements would be shown in this tab. The tax treatment of foreign exchange gains/losses is complex and we recommend you seek advice on your personal circumstances to confirm whether such gains/losses are required to be included in your IR3.

Tax Credits

A list of tax credits received from FIF dividends and listed PIE dividends during the year.

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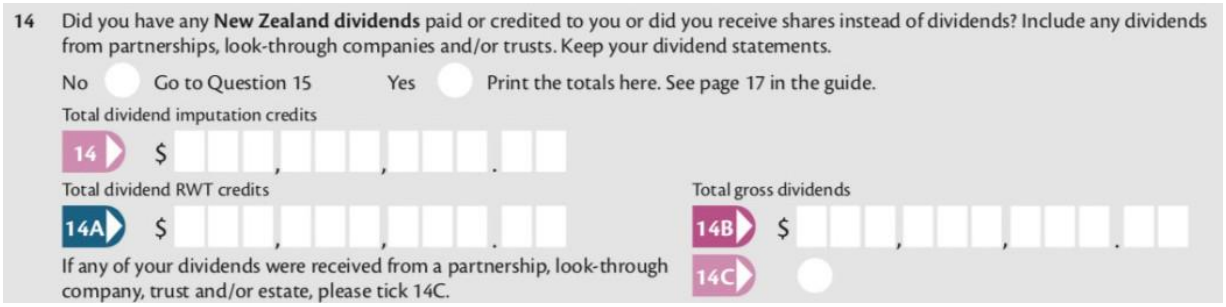
INVESTNOW TAX REPORT: IR3 TAX RETURN USE

Listed PIE Income

You don't have to include listed PIE income in your tax return, but may choose to do so, if you wish. Generally, investors would only elect to include income if their tax rate is less than 28%, as this allows the excess imputation credits to be offset against their other tax liabilities.

Some listed PIE dividends may include an "excluded amount", which is not taxed. This amount does not need to be included in your tax return and will not appear in your tax summary report.

Tax Summary Report - Summary tab	IR3 Income Tax Return
1. Income – Dividends – Listed PIE, Imputed Income	Put this amount in box **14B**
2. Income – Dividends – Listed PIE, Imputed – Imputation Credits	Put this amount in box **14**


14 Did you have any **New Zealand dividends** paid or credited to you or did you receive shares instead of dividends? Include any dividends from partnerships, look-through companies and/or trusts. Keep your dividend statements.

No Go to Question 15 Yes Print the totals here. See page 17 in the guide.

Total dividend imputation credits

14 $

Total dividend RWT credits

14A $

Total gross dividends

14B $

If any of your dividends were received from a partnership, look-through company, trust and/or estate, please tick 14C.

14C

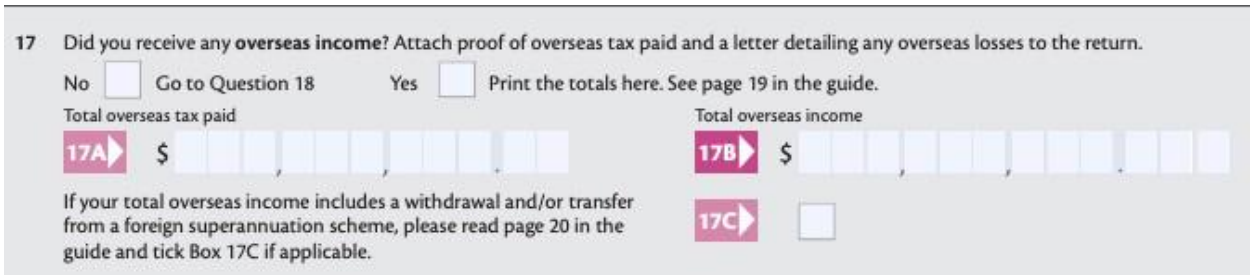
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FIF — de minimis exception applies

If the de minimis exception applies (i.e. your FIF investments cost less than NZ$50,000 at all times during the year), you can choose to pay tax on the distributions you received from your AUT holdings, instead of the income calculated under the FIF rules (assuming that you have not applied the FIF rules in any of the four prior years).

Tax Summary Report – Summary tab	IR3 Income Tax Return
1. Dividends – FIF – Equity, Offshore	Put this figure in box **17B**
2. Tax Credits – Foreign Tax Credit, Dividends - FIF	Put this figure in box **17A***

*In some cases, your ability to claim a foreign tax credit may be restricted, and therefore you may not be able to include the full amount in your return. In particular, the credit available in relation to a specific fund cannot exceed your New Zealand tax liability on that fund.

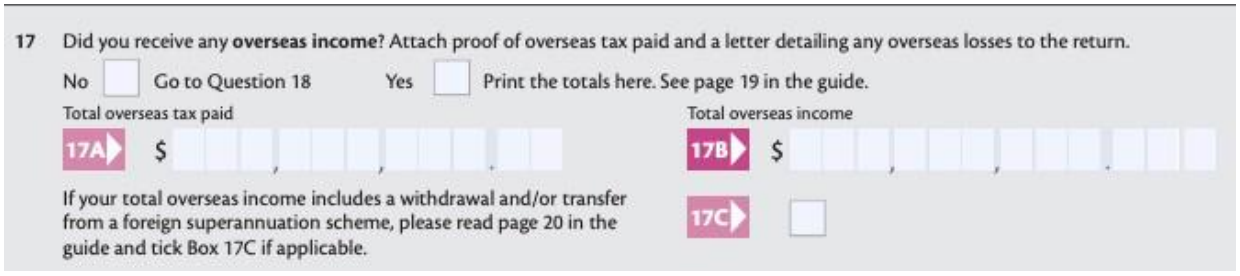

17 Did you receive any **overseas income**? Attach proof of overseas tax paid and a letter detailing any overseas losses to the return.
No ☐ Go to Question 18 Yes ☐ Print the totals here. See page 19 in the guide.
Total overseas tax paid
17A $
Total overseas income
17B $
If your total overseas income includes a withdrawal and/or transfer from a foreign superannuation scheme, please read page 20 in the guide and tick Box 17C if applicable.
17C ☐

FIF — FIF rules apply

Tax Summary Report - Summary tab	IR3 Income Tax Return
1. Income – FIF Income, FIF – FDR method	Put the figure in 1. or 2. as applicable to the method you have selected in box **17B***
2. Income – FIF Income, FIF – CV method	
3. Tax Credits – Foreign Tax Credit, Dividends - FIF	Put this figure in box **17A****

* This figure cannot be less than zero.

**In some cases, your ability to claim a foreign tax credit may be restricted, and therefore you may not be able to include the full amount in your return. In particular, the credit available in relation to a specific fund cannot exceed your New Zealand tax liability on that fund.

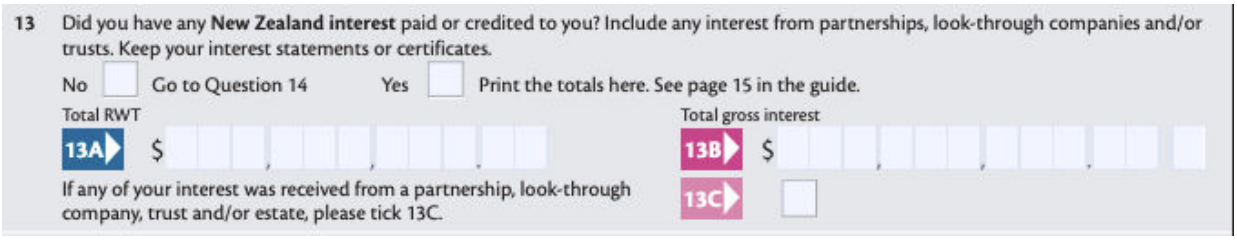

17 Did you receive any **overseas income**? Attach proof of overseas tax paid and a letter detailing any overseas losses to the return.
No ☐ Go to Question 18 Yes ☐ Print the totals here. See page 19 in the guide.
Total overseas tax paid
17A $
Total overseas income
17B $
If your total overseas income includes a withdrawal and/or transfer from a foreign superannuation scheme, please read page 20 in the guide and tick Box 17C if applicable.
17C ☐

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Term Deposits

Any Resident Withholding Tax (RWT) that is deducted for your term deposit investments will be reported to the IRD. You will only pay RWT when you receive interest from your Term Deposit. If you do need to manually enter in any figures, below is where you enter this information on your IR3.

Tax Summary Report – Summary tab	IR3 Income Tax Return
1. Interest – Coupons, Domestic	Put this figure in box **13B**
2. Tax Credits – RWT, Coupons – Non FIF	Put this figure in box **13A**


13 Did you have any **New Zealand interest** paid or credited to you? Include any interest from partnerships, look-through companies and/or trusts. Keep your interest statements or certificates.

No ☐ Go to Question 14 Yes ☐ Print the totals here. See page 15 in the guide.

Total RWT

13A $

Total gross interest

13B $

If any of your interest was received from a partnership, look-through company, trust and/or estate, please tick 13C.

13C ☐

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CONTACT US

If you're still unsure about your tax obligations or how to complete your IR3 tax return form, give us a call and we can point you in the right direction. Alternatively, it is recommended that you seek independent tax advice.

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