



FBUShare - American Samoa - Employee Tax Summary

Fletcher Building Limited

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1. FBuShare plan summary

Under the Plan, you will be provided with the opportunity to contribute after-tax salary to purchase Company shares at market value ("Purchased Shares"); and, for shares purchased by you, Fletcher Building will grant you Rights to a number of free Fletcher Building shares ("Award Shares"). Subject to meeting the award conditions at the end of the Qualification Period ("Vesting"), your Rights to Awards Share will Vest and you will generally receive one Award Share for every two Purchased Shares held at the end of the Qualification Period.

As a Fletcher Building shareholder, you will have full voting rights and receive any dividends on the Purchased Shares during the time the shares are held by the Plan nominee. You are required to participate in the Dividend Programme in respect of the dividends you receive. Under the Dividend Programme, the dividends you receive, net of any New Zealand (or Australian) withholding tax paid on the dividends, will be used to acquire shares ("Dividend Shares"). Dividend Shares also have full voting rights and dividends, and provide you with the opportunity to receive Award Shares if the appropriate Award conditions are satisfied.

Under the Plan, the Purchased Shares, Award Shares and Dividend Shares will be held in the Plan, on your behalf, by the Plan nominee company.

2. Tax summary

2.1 Purchased Shares

Your tax obligations in respect of your Purchased Shares are summarised as follows. Detailed tax considerations are in section 3 of this summary.

Event	Tax treatment for employees
Acquisition	You will not be subject to tax at the time you acquire the Purchased Shares.
Sale	Capital gains tax is payable on the sale of shares, based on the sales proceeds less the cost of acquisition (i.e. purchase price of the shares plus any additional costs of the transaction, e.g. brokerage fee).

2.2 Award Shares

Your tax obligations in respect of your Award Shares are summarised as follows:

Event	Tax treatment
Grant of Rights to Award Shares	There are no tax implications for you.
Allocation of Award Shares	Income tax is payable on the fair market value of the shares on allocation. The fair market value of the shares at allocation is subject to U.S. social security tax at 6.2% on income up to US\$ 132,900 for 2019, and as adjusted by the Social Security Administration for subsequent years, as well as the Medicare tax at 1.45% on all earned income. These taxes will be withheld by your employer.
Sale	Capital gains tax is payable on the sale of shares, based on the sales proceeds less the cost of acquisition (i.e. market value of the shares at allocation plus any additional costs of the transaction, e.g. brokerage fee).

2.3 Dividend Shares

Your tax obligations in respect of your Dividend Shares are summarised as follows:

Event	Tax treatment for employees
Dividend paid/dividend Shares acquired	Income tax is payable on the amount of the dividend in the year that the dividend is paid. A foreign tax credit should be available for any New Zealand non-resident withholding tax.
Sale	Capital gains tax is payable on the sale of shares, based on the sales proceeds less the cost of acquisition (i.e. amount of the dividends received plus any additional costs of the transaction, e.g. brokerage fee).

3. Detailed findings and recommendations

3.1 Purchased Shares

You will not be subject to income tax on acquisition of the Purchased Shares as the shares are purchased from after-tax salary and at market value.

— Sale of Purchased Shares

Capital gains tax is payable on the difference between the sale proceeds and the purchase price of the shares (including any transaction costs, e.g. brokerage fees).

Capital gains are taxed at different rates depending on the length of time you hold the shares. If you hold the shares for 12 months or less, the gain will be taxed as ordinary income. This is referred to as a short term capital gain. If you hold the shares for more than 12 months, the gains will be taxed at a flat rate of 20%. This is referred to as long term capital gain.

If at sale, the shares have decreased in value since they were awarded to you, a capital loss will arise. A deduction for short or long term capital losses may be available depending on your personal tax situation.

3.2 Award Shares

You will not be subject to tax when you receive the rights to Award Shares.

— Vesting of Award Shares

Income tax (at rates of between 15% to 39.6%) is payable on the full fair market value of the Award Shares received at vesting.

The full fair market value is subject to U.S social security tax at 6.2% on income up to US\$ 128,400 for 2018, up to US\$132,900 for 2019, and as adjusted by the Social Security Administration for subsequent years, as well as the Medicare tax at 1.45% on all earned income.

You should include the income and the amount of tax withheld by your employer in your annual W-2AS and in your annual American Samoa income tax return form 390.

— Sale of Award Shares

Capital gains tax is payable on the difference between the sale proceeds and the fair market value of the shares at vesting (including any transaction costs, e.g. brokerage fees).

Capital gains are taxed at different rates depending on the length of time you hold the shares. If you hold the shares for 12 months or less, the gain will be taxed as ordinary income. This is referred to as a short term capital gain. If you hold the shares for more than 12 months, the gains will be taxed at a flat rate of 20%. This is referred to as long term capital gain.

If at sale, the shares have decreased in value since they were awarded to you, a capital loss will arise. A deduction for short or long term capital losses may be available depending on your personal tax situation.

3.3 Dividend Shares

Dividends received will be taxed at your marginal tax rate of income tax.

Note: The dividends may be also subject to foreign withholding tax. However, as a tax resident of American Samoa, you may be able to claim a tax credit on your American Samoan tax return for the foreign tax paid in the relevant year, up to the amount of American Samoa tax otherwise payable on the foreign-source dividends.

You are required to participate in the Dividend Programme to acquire Dividend Shares. As notes above, even though your dividends are paid in the form of Dividend Shares, you may have a tax liability at the time the dividends are paid.

— Sale of Dividend Shares

Capital gains tax is payable on the difference between the sale proceeds and the amount of dividend previously taxed when the Dividend Shares were awarded to you.

Capital gains are taxed at different rates depending on the length of time you hold the shares. If you hold the shares for 12 months or less, the gain will be taxed as ordinary income. This is referred to as a short term capital gain. If you hold the shares for more than 12 months, the gains will be taxed at a flat rate of 20%. This is referred to as long term capital gain.

If at sale, the shares have decreased in value since they were awarded to you, a capital loss will arise. A deduction for short or long term capital losses may be available depending on your personal tax situation.

4. Your Reporting Obligations

You are required to report the taxable income or gain from dividends, Award Shares and sales of shares on your annual American Samoan Individual Income Tax Return – form 390 in the year that the income or gain is realised.

5. Employer Withholding Obligations

The American Samoa income tax, U.S. social security and Medicare levies will be withheld by your employer.

6. Employer Reporting Obligations

Your employer will report the payment of the income tax to the American Samoa Government, and will report the social security and Medicare levies to the U.S. Treasury.

7. Marginal Tax Rates

American Samoa tax rates vary based on your status – single, married filing joint, married filing separately or head of household. The rates vary from 15% to 39.6% and are applied to taxable income after allowable deductions. Each employee's tax situation and marginal rates will vary due to the allowable deductions, number of dependents, etc.

8. Taxation Illustration

This example is provided solely to illustrate the calculation of income tax and capital gains tax as outlined in this summary. It does not provide any indication or assurance of the possible or likely share price.

Consistent with this, all figures and dates are assumed and all dividends and Dividend Shares have been disregarded for the purposes of the illustration. Different results can apply depending on the figures used and the timing of sale of shares. Your tax adviser will be able to advise you further.

Year 1:	<p>You commence contributions to acquire Fletcher Building Shares and are allocated Purchased Shares on a monthly basis. You acquire 300 Purchased Shares at an average cost of USD 7 (based on the USD/AUD exchange rates on the date of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is USD 2,100 (the total amount of contributions made during the year).</p> <p>You are granted 150 rights to receive Award Shares.</p>
Year 4:	<p>At the beginning of the fourth Plan Year, all your Rights to Award Shares Vest and Award Shares are allocated to you when the market value of a Fletcher Building share is USD 8.</p>
Year 5:	<p>After holding the Award Shares for more than 12 months, you sell all your 450 Fletcher Building shares (i.e., Purchased Shares and Award Shares) for USD 9 per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your taxable income level is USD 50,000, and that you are married and filing jointly.</p>

The table below provides a detailed breakdown of the calculation of income tax.

Event	Tax Treatment (US\$)
Year 1 (contributions towards Purchased Shares made)	
US\$2,400 contributed over the year to acquire 300 Purchased Shares	N/A
Rights to Award Shares granted	
Year 4 (Award Shares allocated)	
Market value of shares (150 x USD 8)	1,200
Taxable income	1,200
Tax on income (@ 28%)	336
Employment taxes (@ 7.65%)	92
Total tax	428

Year 5 (Purchased Shares and Award Shares are sold)

Net sale proceeds (450 x USD 9)	4,050
Less: Cost base of Purchased Shares	(2,100)
Less: Cost base of Award Shares (income reported in Year 4 for Award Shares)	(1,200)
Net gain	750
Taxable gain – Assumes shares acquired for investment purposes - no taxable gain	750
Tax payable (@ 20%)	150

Summary of transactions

Net sale proceeds	4,050
Less: Tax payable at allocation of Award Shares (Year 4)	(404)
Less: Tax payable upon sale (Year 5)	(150)
Net proceeds after tax ¹	3496

¹ Not including the cost of the Purchased Shares.

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