



FBuShare - Papua New Guinea - 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 on the basis the shares are purchased from after-tax salary and at market value.
Sale	PNG has no capital gains tax; accordingly, there should be no tax on the gains from the sale of shares. However, if the shares were acquired with a profit making intention, any gain (i.e., the amount by which the sale proceeds exceeds the market value of the shares at acquisition) realised from the disposal of the Purchased Share is taxable as ordinary income, at your marginal tax rate.

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	You will be taxed (at your marginal rate of tax) on the fair market value of the Award Shares at the time you acquire the shares. Currently, the top marginal tax rate in PNG is 42% for those earning incomes above K\$250,000 per annum.
Sale	PNG has no capital gains tax. Accordingly, there should be no tax on any gains from the sale of the Award Shares unless the shares were acquired with a profit making intention.

2.3 Dividend Shares

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

Event	Tax treatment for employees
Dividend paid	Dividends from Purchased Shares will be taxed at your combined marginal rate of income tax. Where there is foreign withholding tax (e.g. New Zealand withholding tax) withheld on dividends received from Purchased Shares, you may be able to claim a foreign tax credit on lodgement of an income tax return to reduce any PNG tax payable on the same amount.
Sale	PNG has no capital gains tax. Accordingly, there should be no tax on the gains from the sale of shares unless the shares were acquired with a profit making intention.

3. Detailed findings and recommendations

3.1 Purchased Shares

You will not be subject to income tax on acquisition of the Purchased Shares on the basis the shares are purchased from after-tax salary and at market value. If the current plan rules were to change (e.g., if the shares are purchased at a discount to market value) different tax implications may arise on acquisition of the Purchased Shares.

— Sale of Purchased Shares

There is no capital gains tax in PNG. Accordingly, a gain on sale of the shares is not taxable to the holder of the shares. However, if the shares were acquired with a profit making intention, the gain is taxable as ordinary income at your marginal tax rate.

3.2 Award Shares

You will not be subject to tax when you receive your Rights to Award Shares upon the acquisition of Purchased Shares and Dividend Shares.

— Acquisition of Award Shares

You will be subject to income tax on the market value of the Award Shares on the vesting date (i.e. at the time the Award Shares are allocated to you upon satisfaction of the Award Conditions) at your marginal rate of income tax. This tax will be withheld by your employer. The top marginal tax rate for the 2018 income year is 42% for those earning incomes above K250,000 per annum.

Please note: Fletcher Building may sell sufficient Fletcher Building Shares to satisfy any tax and social security liability that may arise. Subject to agreement with your employer, you may have the opportunity to satisfy any such liability from your own funds (e.g., provide a cheque).

— Sale of Award Shares

There is no capital gains tax in PNG and as such, any gains on the sale of the shares are not taxable to you. However, if the Award Shares were acquired with a profit making intention, the gains will be taxable as ordinary income at your marginal tax rate.

3.3 Dividend Shares

You will be entitled to receive any dividends paid on your Purchased Shares but you are required to participate in the Dividend Programme to acquire Dividend Shares. Even though your dividends are paid in the form of Dividend Shares, you will be taxed on the dividends received at your gross marginal tax rate.

Note: The dividends may be also subject to New Zealand withholding tax. However, as a tax resident of PNG, you may be able to claim a tax credit on your PNG tax return for the New Zealand tax paid in the relevant year, up to the amount of PNG tax otherwise payable on the Australian or New Zealand-source (or foreign sourced) dividends. In order to claim a foreign tax credit, it will be necessary to lodge a PNG income tax return with the Internal Revenue Commission (IRC).

You are required to participate in the Dividend Programme to acquire Dividend Shares. As noted 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 / Dividend Shares allocated.

— Sale of Dividend Shares

Similarly to the Purchased Shares, there is no capital gains tax in PNG and as such, any gains on the sale of the shares are not taxable to you. However, if the Dividend Shares were acquired with a profit making intention, the gains will be taxable as ordinary income at your marginal tax rate.

4. Your Reporting Obligations

The total amount of the benefits provided during a calendar year must be disclosed on the annual statement of earnings that the local employer is required to prepare for each of its employees. The amount disclosed is the market value of the Award Shares at vesting.

5. Employer Withholding Obligations

The fair market value of the Award Shares at Vesting are considered to form part of the employee's salary or wages. As such, Fletcher Building is required to withhold salary or wages tax (**SWT**) at your marginal tax rate and to remit the tax to the IRC.

6. Employer Reporting Obligations

Fletcher Building will be required to withhold and remit the SWT at the relevant taxing point and also report details of your Award Shares to the IRC in the Annual Reconciliation Statement for the relevant tax year.

7. Taxation Illustration

The table below provides an example that illustrates the calculation of income tax as outlined in this summary. It does not provide any indication or assurance of the possible or likely share price. All figures and dates below are assumed; dividends and Dividend Shares have been disregarded for the purposes of this illustration. Different results may 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 K15.50 (based on the K/AUD exchange rates on the dates of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is K\$4,650 (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 K17.90.</p>
Year 5:	<p>After holding the Award Shares for more than 12 months you sell your 450 Fletcher Building shares (i.e., 300 Purchased Shares and 150 Award Shares) for K18.80 per share. Assume that there are no brokerage and associated sale costs. Let’s also assume that you that the top marginal tax rate applies (i.e., 42%).</p>

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

Event	Tax Treatment (K)
Year 1 (contributions towards Purchased Shares made)	
K4,650 contributed over the year to obtain 300 Purchased Shares	Note ¹
Rights to Award Shares granted	
Year 4 (Award Shares allocated)	
Market value of shares (150 x K17.90)	2,685
Taxable income	2,685
Tax on income (@42%)	(1,128)

¹ Generally, you will not be subject to income tax on acquisition of the Purchased Shares on the basis the shares are purchased from after-tax salary and at market value.

Year 5 (Purchased Shares and Award Shares are sold)

Net sale proceeds (450 x K18.80)	8,460
Less: Cost base of Purchased Shares	(4,650)
Less: Cost base of Award Shares (income reported in Year 4 for Award Shares)	(2,685)
Net gain	1,125
Taxable capital gain (no CGT in PNG)	0
Tax payable (no CGT in PNG)	0

Summary of transactions

Net sale proceeds	8,460
Less: Tax payable at allocation of Award Shares (Year 4)	(1,128)
Less: Tax payable upon sale (Year 5)	0
Net proceeds after tax ²	7,332

² Not including the cost of the Purchased Shares.

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