



# FBuShare - Solomon Islands - Employee Tax Summary

**Fletcher Building Limited**

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# Contents

1. FBUShare plan summary	1
2. Tax summary	2
3. Detailed findings and recommendations	3
4. Your Reporting Obligations	4
5. Employer Withholding Obligations	4
6. Employer Reporting Obligations	4
7. Taxation Illustration	5

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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.

The summary below is general in nature and is based on the Solomon Islands income tax laws as at December 2018 and the tax obligations in relation to the Fletcher Building Limited FBuShare ("FBuShare" or the "Plan"). The taxation treatment of employee share awards changes from time to time, so it is strongly recommended that you seek your own professional advice in relation to your personal circumstances. Morris & Sojnocki Chartered Accountants, KPMG, Fletcher Building Limited and its subsidiaries ("Fletcher Building" or the "Company") will not be held responsible for employees who act on the advice provided in this employee tax summary.

The summary also assumes that you are an employee of Fletcher Building and that you are, and remain, a resident of Solomon Islands for tax purposes. There are specific rules regarding temporary residents and those whose residency status changes. These rules need to be considered on a case-by-case basis and you should consult your tax adviser in these circumstances.

## 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	No tax.
Sale	No tax.

### 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	No tax.
Allocation of Award Shares	You will pay income tax at your marginal rate on the market value of the Award Shares on the date the Award Shares are allocated to you.
Sale	No tax.

### 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 will be taxed at your marginal income tax rate when received or credited. This tax must be declared in your Return of Income for the relevant year.
Sale	No tax.

## 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

There is no capital gains tax in Solomon Islands. Accordingly, a gain on sale of the shares is not taxable to the holder of the shares.

### 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 at your marginal tax rate on the market value of the Awarded Shares when they are issued or allocated to you. The maximum income tax rate applies to taxable income over SBD75,080. There is no exemption applicable. This tax will be withheld by your employer.

#### — Sale of Award Shares

There is no capital gains tax in Solomon Islands and as such, any gains on the sale of the shares are not taxable to you.

### 3.3 Dividend Shares

You will be entitled to receive any dividends paid on your Purchased Shares. Dividends received will be taxed at your marginal tax rate of income tax.

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

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

There is no capital gains tax in Solomon Islands and as such, any gains on the sale of the shares are not taxable to you.

## 4. Your Reporting Obligations

You must declare all dividends and any income from shares at vesting that is received or credited to you during the year in your Return of Income.

## 5. Employer Withholding Obligations

The income tax payable at vesting of your Award Shares will be withheld as a PAYE tax deduction from your salary.

## 6. Employer Reporting Obligations

Your employer will annually report your income and the income tax paid on your behalf to the IRD.

## 7. Taxation Illustration

This example is provided solely to illustrate 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. Consistent with this, all figures and dates are assumed and all Dividends and Dividend Shares have been disregarded for the purposes of this 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.

<b>Year 1:</b>	<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 SBD 56 (based on the SBD/AUD exchange rates on the date of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is SBD 16,800 (the total amount of contributions made during the year).</p> <p><b>You are granted 150 Rights to receive Award Shares.</b></p>
<b>Year 4:</b>	<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 SBD 65.</p>
<b>Year 5:</b>	<p>After holding the Award Shares for more than 12 months you sell all your 450 Fletcher Building shares (i.e. 300 Purchased Shares and 150 Award Shares) for SBD 70 per share. Assume that there are no brokerage and associated sale costs. Let’s also assume that your taxable income level is SBD 300,000.</p>

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

Event	Tax Treatment (SBD)
<b>Year 1 (contributions towards Purchased Shares made)</b>	
SBD 16,800 contributed over the year to obtain 300 Purchased Shares	Note <sup>1</sup>
Rights to Award Shares granted	
<b>Year 4 (Award Shares allocated)</b>	
Market value of shares (150 x SBD 65)	9,750
Taxable income	9,750
Tax on income @ 40% after taxable income reached SBD 75,080	3,900
<b>Year 5 (Purchased Shares and Award Shares are sold)</b>	
Net sale proceeds (450 x SBD 70)	31,500
Less: cost base of Purchased Shares	(16,800)
Less: capital gain in Year 4 for Award Shares	(9,750)
Net gain	4,950
Taxable capital gain (no capital gains tax in Solomon Islands)	0
Tax payable (no capital gains tax in Solomon Islands)	0

<sup>1</sup> 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.

**Summary of transactions**

Net sale proceeds	31,500
Less: Tax payable at allocation of Award Shares (Year 4)	(3,900)
Less: Tax payable upon sale (Year 5)	0
Net proceeds after tax <sup>2</sup>	27,600

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<sup>2</sup> Not including the cost of the Purchased Shares.

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