# FBuShare - Fiji - Employee Tax Summary

**Fletcher Building Limited**

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kpmg.com/nz

# Contents



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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 Phantom Company shares at market value ("Phantom Purchased Shares"); and, for shares purchased by you, Fletcher Building will grant you Rights to a number of free Phantom Fletcher Building shares ("Phantom Award Shares"). Subject to meeting the award conditions at the end of the Qualification Period ("Vesting"), your Rights to Phantom Award Shares will vest and you will generally receive one Phantom Award Share for every two Phantom Purchased Shares held at the end of the Qualification Period.

A Phantom Purchased Share is a right to a cash payment equivalent in value to a Fletcher Building Share. A Phantom Purchased Share has no shareholder rights, no rights to dividends, no voting rights nor any other rights applicable to a Fletcher Building shareholder. However, Fletcher Building may distribute cash dividend equivalents to you of Phantom Purchased Shares equal in value to the gross dividend paid on Shares, structured as Phantom Dividend Shares.

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

The comments in this summary assume that you remain tax resident in Fiji, working in Fiji, at all times during the holding period of the awards and the shares. The tax implications for individuals with periods of non-residence and/or periods of service outside Fiji are complex, and where this applies to you further specific tax advice should be sought.

# 2. Tax summary

## 2.1 Phantom Purchased Shares

Your tax obligations in respect of your Phantom 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 acquisition of the Phantom Purchased Shares. |
| **Sale** | Capital Gains Tax (“CGT”) is payable on the difference between the gross cash payment received upon redemption of the Phantom Purchased Shares and the amount you contributed to acquire the Phantom Purchased Shares at the rate of 10 percent (unless the capital gain is exempt).<br>A capital gain will be exempt from CGT purposes where the capital gain is made by a resident individual or Fijian citizen that does not exceed FJD30,000 from 1 August 2020. |

## 2.2 Phantom Award Shares

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

| Event | Tax treatment |
|---|---|
| **Grant of Rights to Phantom Award Shares** | There are no tax implications for you at the time you receive Rights to Phantom Award Shares. |
| **Redemption** | Income tax is payable on the cash consideration received (equivalent to the market value of Fletcher Building shares) on redemption at the end of the qualification period (vesting). The income will be subject to income tax and you will be required to include this in your annual income tax return. From 1 January 2024, where your chargeable income is in excess of FJD270,000, income tax is calculated at progressive rates on chargeable incomes exceeding FJD270,000. The progressive rate starts at 33 percent and increases by 1 percent at income bands of circa FJD50,000 for incomes from FJD300,000 and above. Maximum rate of income tax is 39 percent which applies to chargeable incomes exceeding FJD1,000,000.<br>The employer does not have any withholding tax obligations in respect of this income however may deduct Contractors Provisional Tax at source as an advance payment of income tax which you can claim in your annual tax return. Any CPT credits deducted in excess of your income tax liability will be refundable upon lodgement/assessment of the respective year’s income tax return. |

### 2.3 Phantom Dividend Shares

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

| Event | Tax treatment for employees |
|---|---|
| **Receipt of Phantom Dividend** | The gross amount received (notional before-tax amount) in respect of Phantom Purchased Shares which is used to acquire Phantom Dividend Shares will be subject to income tax.<br>You will be required to include this amount in your annual income tax return. |
| **Allocation of Phantom Dividend Shares** | There are no tax implications for you at the time you acquire Phantom Dividend Shares as these are acquired from the notional after-tax amount received in respect of Phantom Purchased shares. |
| **Phantom Dividend Shares redeemed** | CGT is applicable on any capital gain made on the redemption of your Phantom Dividend Shares. |

# 3. Detailed findings and recommendations

## 3.1 Phantom Purchased Shares

You will not be subject to income tax at the time you acquire Phantom Purchased Shares as these are acquired at market value from your after-tax salary.

Any payments (cash dividend equivalents) in respect of Phantom Purchased Shares will be subject to income tax on the gross cash payment received or the value of Phantom Dividend Shares acquired (notional payment equivalent in value to the amount of dividends receivable if you held Fletcher Building shares). The income will be subject to income tax. You will be required to include this income in your annual income tax return.

As noted earlier, the employer does not have any withholding tax obligations in respect of this income as it is not employment income however it may deduct CPT at source as an advance payment of income tax which you can claim in your annual tax return. Any CPT credits deducted in excess of your income tax liability will be refundable upon lodgement/assessment of the respective year's income tax return.

— **Redemption of Phantom Purchased Shares**

You will receive cash based on the market value of a Company share for each Phantom Purchased Share at the time your Phantom Purchased Share is redeemed.

You will be required to pay CGT on the amount of any capital gain, which will be calculated as (A – B). Where:

A. Gross cash consideration received

B. Amount paid per share to acquire the Phantom Purchased Shares multiplied by the number of Phantom Purchased Shares redeemed

You are personally responsible for lodging your CGT return and payment of CGT. A capital gain will be exempt from CGT purposes where the capital gain is made by a resident individual or Fijian citizen that does not exceed FJD30,000 from 1 August 2020.

## 3.2 Phantom Award Shares

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

— **Redemption of Phantom Award Shares**

When you acquire your Phantom Award Shares on Vesting at the end of the qualification period, and you then redeem your Award Shares, you will receive a cash payment equal in value to a Fletcher Building share multiplied by the number of Phantom Award Shares redeemed. This payment will be subject to income tax on the gross cash payment received. The income will be subject to income tax. You will be required to be included this income in your annual income tax return.

As noted, the employer does not have any withholding tax obligations in respect of this income however may deduct CPT at source as an advance payment of income tax which you can claim in your annual tax return. Any CPT credits deducted in excess of your income tax liability will be refundable upon lodgement/assessment of the respective year's income tax return.

## 3.3 Phantom Dividend Shares

As noted, you may receive Phantom Dividend Shares as a result of holding Phantom Purchased Shares. These Phantom Dividend Shares are redeemable at the same time as the Phantom Purchased Shares and Phantom Award Shares.

— **Allocation of Phantom Dividend Shares**

The Phantom Dividend Shares are acquired at market value from the notional after-tax amount received in respect of Phantom Purchased Shares hence there are no tax implications on the allocation of Phantom Dividend Shares. The gross amount received (notional before-tax amount) in respect of Phantom Purchased Shares which is used to acquire Phantom Dividend Shares will be subject to income tax and you will be required to include this income in your annual income tax return.

Any payments (cash dividend equivalents) notionally or actually received in respect of Phantom Dividend Shares will be subject to income tax on the gross payment received. The income will be subject to income tax. You will be required to include this income in your annual income tax return.

As noted, the employer does not have any withholding tax obligations in respect of this income however may deduct CPT at source as an advance payment of income tax which you can claim in your annual tax return. Any CPT credits deducted in excess of your income tax liability will be refundable upon lodgement/assessment of the respective year's income tax return.

— **Redemption of Phantom Dividend Shares**

When you redeem your Phantom Dividend Shares, you will receive a cash payment. You will be subject to CGT on the capital gain made, which will be calculated as (A – B). Where:

A. Gross cash consideration received

B. The total market value at date of allocation (being the amount of notional after-tax payments in respect of Phantom Purchased Shares utilised for acquisition of these Phantom Dividend Shares)

You are personally responsible for lodging your CGT return and payment of CGT. A capital gain will be exempt from CGT purposes where the capital gain is made by a resident individual or Fijian citizen that does not exceed FJD30,000 from 1 August 2020.

# 4. Your Reporting Obligations

The income (actual or notional payments) received/receivable in respect of Phantom Purchased Shares and Phantom Dividend Shares, and on the redemption of Phantom Award Shares at the end of the qualification period must be reported in your annual income tax returns and any CPT deducted at source can be claimed as a tax credit. The capital gains on redemption of Phantom Purchased Shares and Phantom Dividend Shares must be reported in a CGT return on a transactional basis at the time of redemption (disposal).

# 5. Employer Withholding Obligations

Phantom Shares are intangible assets hence any income (excluding capital gains) derived from these are treated as other income for Fiji tax purposes (and not employment income) therefore the employer does not have any withholding tax obligations in respect of this income.

The employer may however deduct CPT at source as an advance payment of income tax which you can claim in your annual tax return. Any CPT credits deducted in excess of your income tax liability will be refundable upon lodgement /assessment of the respective year's income tax return.

Where CPT is deducted, it will be withheld by the way of deduction from your cash payments.

# 6. Employer Reporting Obligations

Where CPT is deducted at source by the employer, it will be required to be remitted to FRCS by the end of the month following the month in which the deduction was made and monthly periodic summaries are to be lodged with FRCS via the Taxpayer Online Services ("TPOS") portal by the employer. Annual Contractor's Provisional Tax Certificates, for all employees (and other contractors) from whose payments CPT was deducted by the employer is required to be provided to you by the employer.

# 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; Phantom Dividend Shares have been considered for the purposes of this illustration. Different results may apply depending on the figures used and the timing of redemption. Your tax adviser will be able to advise you further.

| | |
|---|---|
| **Year 1:** | You commence contributions to acquire Phantom Purchased Shares on a monthly basis. You acquire 300 Phantom Purchased Shares at an average cost of FJD12 (based on the FJD/AUD exchange rates on the dates of purchase). The cost base of the Phantom Purchased Shares is FJD3,600 (the total amount of contributions made during the year). |
| | |
| | You are granted 150 rights to receive Phantom Award Shares. |
| | You receive a Phantom Dividend of FJD0.54 per share (FJD162.50 in total) as a result of holding Phantom Purchased Shares which is subject to income tax. |
| | You acquire 10 Phantom Dividend Shares (from Phantom Dividends) at an average cost of FJD13 (based on the FJD/AUD exchange rates on the dates of purchase). The cost base of the Phantom Dividend Shares is FJD130 (the notional after-tax amount received in respect of Phantom Purchased Shares). |
| | |
| | You are granted 5 rights to receive Phantom Award Shares. |
| **Year 4:** | At the beginning of the fourth Plan Year, all your Rights to Phantom Award Shares Vest and Phantom Award Shares are allocated to you when the market value of a Fletcher Building share is FJD14. Your 465 Fletcher Building Phantom Awards (i.e., 300 Phantom Purchase Shares, 155 Phantom Award Shares and 10 Phantom Dividend Shares) are immediately redeemed for FJD14 per share. Assume that there are no brokerage and associated sale or redemption costs. Let's also assume that your taxable income level is FJD60,000. |

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

| **Event** | **Tax Treatment (FJD)** |
|---|---|
| **Year 1 (contributions towards Phantom Purchased Shares made)** | N/A |
| FJD3,600 contributed over the year to obtain 300 Phantom Purchased Shares | |
| 150 rights to Phantom Award Shares granted | |
| | |
| **Year 1 (issue of Phantom Dividends from Phantom Purchased Shares)** | |
| Declaration of Phantom Dividends of FJD163 from Phantom Purchased Shares | |
| Gross income | 162.5 |
| Taxable income | 162.5 |
| Tax on income (@ 20%) – to be included in your personal income tax return | -32.5 |

| | |
|---|---|
| Net income | 130 |
| | |
| **Year 1 (Phantom Dividend Shares received from the notional after-tax amount received in respect of Phantom Purchased Shares)** | N/A |
| FJD130 utilised towards the issue of 10 Phantom Dividend Shares | |
| 10 rights to Phantom Award Shares granted | |
| | |
| **Year 4 (tax on Phantom Award Shares allocated)** | |
| Market value of shares (155 × FJD14) | 2,170 |
| Taxable income | 2,170 |
| Tax on income (@ 20%) – to be included in your personal income tax return | 434 |
| | |
| **Year 4 (tax on Phantom Purchased, Award and Dividend Shares)** | |
| Market value of Phantom Purchased, Award and Dividend Shares (465 × FJD14) | 6,510 |
| Less: Cost base of Phantom Purchased Shares | -3,600 |
| Less: Cost base of Phantom Award Shares | -2,170 |
| Less: Cost base of Phantom Dividend Shares | -130 |
| Capital gain | 610 |
| Less: exempt capital gain | -610 |
| Taxable capital gain | 0 |
| (*assuming that you are a Fiji tax resident or Fiji citizen hence CGT is exempt on capital* | |
| *gains below FJD30,000 from 1 August 2020*) | |
| ***Summary of transactions in Year 4*** | |
| Net redemption proceeds (465 x FJD 14) | 6,510 |
| Less: Tax payable at redemption – to be included in your personal income tax return | -434 |
| Net proceeds after tax | 6,076 |
| * not including the taxes paid on the Gross distribution from the Phantom Purchased Shares | |

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