# Fletcher Building Limited

## FBuShare Plan

## Employee Tax Summary

This summary is general in nature and is based on the income tax laws of Taiwan as at 8 December 2017 and the Taiwanese taxation obligations in relation to the Fletcher Building Limited Fletcher Building Limited Global Employee Share Plan (**FBuShare** or the **Plan**).

The tax treatment of shares and rights to acquire shares (**Rights**) acquired under the Plan may change from time to time, so it is strongly recommended that you seek your own professional advice in relation to your personal circumstances. Fletcher Building Limited (**Fletcher Building** or the **Company**), its subsidiaries and advisors will not be held responsible for employees who rely on the advice provided in this employee tax summary.

This summary assumes that you are an employee of Fletcher Building (or one of its subsidiaries) and that you are, and remain, a resident of Taiwan for tax purposes from the commencement of your participation in the Plan to the eventual sale of any shares acquired under the Plan.

This advice is confined to taxation issues and is only one of the matters you need to consider when making a decision about your investments.

December 2017

# Taiwan

## 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

### A. Purchased Shares

Your tax obligations in respect of your Purchased Shares may be 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 | No tax on the basis that any gains from the sale of the Purchased Shares are treated as foreign source income. However, if foreign source income of a filing unit[1] exceeds TWD 1,000,000 per year, such income could fall within an Alternative Minimum Tax calculation. |

### B. Award Shares

Your tax obligations in respect of your Award Shares may be 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 on the fair market value of the Award Shares at the time of the taxable event, i.e., the date your Rights to Award Shares vest and you acquire the shares. For listed shares, the fair market value (**FMV**) is defined in Taiwan as the closing price of the shares at the time of the taxable event, i.e., allocation of Award Shares.<br><br>The taxable income should be calculated in accordance with the average currency exchange rate published by the Bank of Taiwan on the date of vesting. |
| Sale | No tax on the basis that any gains from the sale of the Award Shares are treated as foreign source income. However, if foreign source income of a filing unit exceeds TWD 1,000,000 per year, such income could fall within an Alternative Minimum Tax calculation.<br><br>Only 50% of the capital gain is included for the purposes of calculating the taxable capital gain, which would be taxed at your marginal tax rate. |

[1] A "filing unit" refers to the person/s filing a tax return in Taiwan. This includes the employee, their spouse and/or dependents who file the tax return jointly with the employee.

## C. Dividend Shares

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

| Event | Tax treatment |
|---|---|
| Dividend paid | Dividends received from Australian or New Zealand listed shares are treated as foreign source income and therefore not subject to regular Taiwan income tax. However, if foreign source income of a filing unit exceeds TWD 1,000,000 per year, such income could fall within an Alternative Minimum Tax calculation. |
| Sale | No tax on the basis that any gains from the sale of the Fletcher Building Shares are treated as foreign source income. However, if foreign source income of a filing unit exceeds TWD 1,000,000 per year, such income could fall within an Alternative Minimum Tax calculation. |

# 3. Detailed tax considerations

## A. Purchased Shares

You will not be subject to tax on acquisition of the Purchased Shares.

### Sale of Purchased Shares

You will not be subject to tax on the sale of Purchased Shares as gains from the sale of the Australian or New Zealand listed shares are treated as foreign source income.

However, if foreign source income of a filing unit exceeds TWD 1,000,000 per year such income (i.e., gains from the sale of your Purchased Shares) could fall within an Alternative Minimum Tax calculation.

If this applies, you should calculate your tax liability under the following two methods and pay the income tax based on the greater amount:

(a) Regular Income Tax: Taiwan source income less exemptions and deductions subject to progressive tax rate from 5% to 45%.

(b) Alternative Minimum Tax (**AMT**): The taxable income calculated under regular income tax plus AMT income (including overseas income) less TWD 6,700,000 exemption subject to flat 20% tax rate.

Any foreign tax paid in the source country can be claimed as a tax credit to minimize the impact of the double taxation.

## B. 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.

### Vesting of Rights to Award Shares

You will be subject to income tax on the:

**Fair market value of an Award Share on vesting multiplied by the number of Award Shares**

The taxable amount will be subject to regular income tax with your other taxable income. For residents of Taiwan, the top marginal tax rate is 45% for the 2017 income year.

The taxable gains will be reported separately from your employment income in the non-withholding statement. However, your employer is no longer required to issue the withholding & non-withholding statement to you. The tax authority will consolidate all the income and withholding tax information reported by Taiwan entities on or before January 31 of the following year in its database.

You can apply for your own income list by visiting the tax authority in person or applying on-line with digital ID card. Nevertheless, you may separately request your employer to issue the non-withholding statement for annual filing purposes. The amount of taxable income must be reported on the Taiwan tax return before May 31 of the year following the year in which the Award Shares are allocated.

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**

Generally, any gains from the sale of your Award Shares will have no tax implications for regular income tax purposes, as it is considered foreign source income.

However, starting from the 2010 tax year, if the foreign source income of a filing unit exceeds TWD 1,000,000 per year, such income could fall within an AMT calculation (see further above section 3A).

### C. Dividend Shares

You will be entitled to receive any dividends paid on your Purchased Shares and you are required to participate in the Dividend Programme to acquire Dividend Shares. Dividends received from the Australian or New Zealand listed shares are treated as foreign source income and therefore not subject to regular Taiwan income tax.

You may be subject to New Zealand withholding tax on your dividends received from Fletcher Building Shares (as any dividends will be paid from New Zealand, even where the Fletcher Building shares you acquire are listed on the Australian stock exchange or New Zealand stock exchange), but you will not receive a foreign tax credit for the New Zealand tax paid for regular income tax purposes (as no income tax is payable in Taiwan).

**Sale of Dividend Shares**

No tax is payable on the eventual sale of your Dividend Shares as the sale of Australian or New Zealand listed shares are treated as foreign source income.

If foreign source income of a filing unit exceeds TWD 1,000,000 per year such income could fall within an AMT calculation. If as a result you are taxed on your dividends received from Fletcher Building Shares, you may receive a foreign tax credit for the New Zealand tax paid for AMT calculation purposes.

## 4. Your Reporting Obligations

The amount of taxable income as reported on the non-withholding statement must be reported on the Taiwan tax return before May 31 of the year following the year in which the Award Shares are allocated.

## 5. Employer Withholding Obligations

No withholding is required.

## 6. Employer Reporting Obligations

The Taiwanese employer is required to report such income to the tax authority by January 31 of the year following the year in which the Award Shares are allocated. Upon requested by the employees, the Taiwan entity should issue the non-withholding statement to the employees for their annual filing purpose.

## 7. Taxation Illustration

The table below provides an example that illustrates the calculation of 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: | 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 TWD 186 (based on TWD/NZD exchange rates on the date of purchase) that are held under nominee on your behalf. The cost base of the Purchased Shares is TWD 55,800. You are granted 150 Rights to receive Award Shares. |
| Year 4: | 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 TWD 215. Assume that your taxable income (excluding Award Share income) is TWD 3,000,000. |
| Year 5: | 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 TWD 226 per share. Assume that there are no brokerage and associated sale costs. Let's also assume that your taxable income calculated under regular income tax plus AMT income (including overseas income) exceed TWD 6,700,000. |

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

| Event | Tax Treatment (TWD) |
|---|---|
| **Year 1 (contributions towards Purchased Shares made)** | |
| TWD 55,800 contributed over the year to obtain 300 Purchased Shares | Note[2] |
| Rights to Award Shares granted | |
| **Year 4 (Award Shares allocated)** | |
| Market value of shares (150 x TWD215) | 32,250 |
| Taxable income | 32,250 |
| Tax on income (@30%) – regular income tax – assume you are single and apply standard deductions, your total taxable income for regular income tax purposes is TWD 2,726,250 (3,000,000 + 32,250 - 306,000 exemptions / deductions) which falls into the 30% progressive tax rate bracket. | (9,675) |
| **Year 5 (Purchased Shares and Award Shares are sold)** | |
| Net sale proceeds (450 x TWD 226) | 101,700 |
| Less: Cost base of Purchased Shares | (55,800) |
| Less: Cost base of Award Shares (income reported in Year 4 for Award Shares) | (32,250) |
| Net taxable gain | 13,650 |
| Taxable payable (@20%) - AMT | (2,730) (2,730 |
| ***Summary of transactions*** | |
| Net sale proceeds | 101,700 |
| Less: Tax payable at allocation of Award Shares (Year 4) | (9,675) |
| Less: Tax payable upon sale (Year 5) | (2,730) |
| Net proceeds after tax[3] | 89,295 |

[2] 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 FMV.

[3] Not including the cost of the Purchased Shares.