

# INVESTNOW

## INVESTOR TAX GUIDE

Updated 25.05.2020



InvestNow does not provide personalised investment or tax advice. This guide does not constitute a warranty or advice. You should seek independent professional expert advice on investments, tax, legal and accounting matters.

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# GUIDE INFORMATION

## Aim of guide

This guide is intended to provide general information on aspects of New Zealand's tax legislation which are relevant to investors using the InvestNow platform. This guide also explains how to use InvestNow Tax Summary Reports to prepare an income tax return (IR3), if required.

For simplicity, this guide has been prepared in relation to InvestNow investors with individual or joint accounts who are New Zealand tax residents\*. We recommend that non-resident, trust, company and other investors seek independent tax advice.

Please note, individual circumstances may differ and tax situations may change if additional investments are held outside of InvestNow's custody. InvestNow does not provide independent tax advice, and we recommend seeking professional tax advice to ensure individual tax obligations are met.

## Contents

|   |     |
|---|-----|
| Types of funds offered by InvestNow           | 3.  |
| Foreign Investment Fund (FIF) Rules explained | 4.  |
| InvestNow Tax Report                          | 5.  |
| InvestNow Tax Report: IR3 tax return use      | 7.  |
| Contact us                                    | 10. |

\*Different rules may apply to new migrants who are "transitional residents" for income tax purposes. Therefore, we recommend new residents seek independent tax advice.

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# TYPES OF FUNDS OFFERED BY INVESTNOW

For tax purposes, there are three types of funds available on InvestNow (along with term deposits):

## **Unlisted multi-rate Portfolio Investment Entities (PIEs)**

PIEs make up the majority of funds available on InvestNow. When you invest in an unlisted PIE, InvestNow will pay tax on income attributed to you by the PIE during the tax year, at your nominated Prescribed Investor Rate (PIR). Provided that tax has been deducted at the correct PIR, or a PIR higher than your correct PIR, this is a final tax and PIE income is not required to be included in your tax return (note that the situation may differ for trusts or companies). If tax has been deducted at a PIR lower than your correct rate, an adjustment will need to be made in your income tax return. If you are in this position, we recommend that you seek independent tax advice.

## **Listed Portfolio Investment Entities (PIEs)**

Listed PIEs on InvestNow are the Exchange Traded Funds (ETFs) offered by Smartshares. During the year, you may have received dividends from these funds. The dividends may include tax credits known as imputation credits, which are credits for NZ tax already paid by the companies the ETF is invested in, to ensure that the income isn't taxed twice. While you are not required to include Listed PIE distributions and related imputation credits in your income tax return, you can include the taxable portion if you prefer. To simplify the preparation of your return, we have listed the taxable portion of the dividends on your tax report. Including the dividends may be beneficial if your tax rate is less than 28%, as this will result in excess imputation credits that can be used to reduce the tax payable on your other income.

## **Australian Unit Trusts (AUTs)**

Australian Unit Trusts on InvestNow include select funds offered by Vanguard, Morpich, Platinum Asset Management, APN Russell Investments and India Avenue. Income from these funds is subject to the Foreign Investment Fund (FIF) rules if you are not a de minimis investor, and the related FIF income must be included in your tax return. If you are a de minimis investor, then the distributions you receive from these funds should be included in your tax return.

# FOREIGN INVESTMENT FUND RULES (FIF) EXPLAINED

## De minimis exception from FIF rules

InvestNow has not deducted Resident Withholding Tax (RWT) from any dividend income received from an AUT on the assumption that the FIF rules apply to you as an investor. However, individuals can choose not to apply the FIF rules if the de minimis exception applies. This exception applies if the total cost of your FIF investments did not exceed NZ\$50,000 at any point during the income year. If the de minimis exception applies, you pay tax on the value of the dividends or distributions received from your FIF investments. You can choose to calculate your income using the FIF rules instead - however, if you elect to do this, you must apply the FIF rules for the next four years.

## FIF calculations

If you held units in any AUT during the income year, FIF calculations will be included in your Tax Summary Report. There are two calculation methods for which we report information:

- Fair Dividend Rate (FDR) - 5% of the opening market value at the beginning of the income year, plus a quick sale adjustment if you bought and then subsequently sold units in the same fund during the year.
- Comparative Value (CV) – Closing value plus gains, minus opening value plus costs. Gains include dividends, sale proceeds and tax credits. Costs include the cost of buying units, along with foreign income tax paid by you directly on income of the FIF (i.e. this would not ordinarily include withholding taxes).

Individual or joint investors can choose which of these calculation methods to use. We provide both calculations so that you can choose which method is more beneficial for you. You must use the same calculation method for all of your FIF investments. Also, you cannot claim a FIF loss in relation to any of the AUTs held on InvestNow. InvestNow's tax reports convert foreign currency amounts based on the exchange rate as of the day of the transaction. If you use, or have previously used, a different methodology in relation to your FIF investments, we recommend seeking independent tax advice on the approach required.

## Foreign tax credits

Australian withholding tax may have been deducted on dividends received from your AUT holdings. You may be able to claim this as a credit against your New Zealand income tax liability;

however, certain limits apply. The credit available in relation to tax withheld from a specific fund cannot exceed your New Zealand tax liability on that fund for the relevant year – if you did not receive any FIF income from a particular fund, you will not be able to claim the foreign tax credit.

Due to the way New Zealand’s income tax legislation operates, it is not possible for InvestNow to determine the total foreign tax credit (if any) available to you without access to information on all of your income and expenses. Therefore, our tax reports specify the total foreign tax withheld.

If you have any questions regarding your ability to claim a foreign tax credit, we recommend you refer to Inland Revenue’s [“A guide to foreign investment funds and the fair dividend rate - IR461”](#) or contact your tax advisor.

# INVESTNOW TAX REPORT

## Understanding your InvestNow Tax Summary Report

You will receive your Tax Summary Report as an Excel spreadsheet with several tabs. The report can be requested and downloaded from the ‘My Documents’ page in your InvestNow account.

### Summary

The Summary tab shows the totals of the different types of income you have received, including:

- Interest from term deposits (coupons)
- FIF dividends
- Listed PIE dividends
- FIF income according to both the FDR and CV calculation methods
- Unrealised currency gains

Under ‘Tax Credits’ it shows the amount of foreign tax withheld on AUT dividends, RWT withheld on term deposit interest and imputation credits on listed PIE dividends.

| Taxable Income Summary                   |                |
|--|----------------|
| Anonymous Investor                       |                |
| For the period: 1 Apr 2019 - 31 Mar 2020 |                |
| Report created: 22 May 2020              |                |
| <b>Income</b>                            |                |
| <b>Interest</b>                          |                |
| Coupons, Domestic                        | 8,498.19 NZD   |
| Accrued Interest                         | (2,791.38) NZD |
| <b>Dividends - FIF</b>                   |                |
| Equity, Offshore                         | 1,972.16 NZD   |
| <b>Dividends - Listed PIE</b>            |                |
| Excluded Income                          | 604.16 NZD     |
| <b>FIF Income</b>                        |                |
| FIF - FDR Method                         | 4,981.89 NZD   |
| FIF - CV Method                          | (2,545.17) NZD |
| <b>Tax Credits</b>                       |                |
| <b>Foreign Tax Credit</b>                |                |
| Dividends - FIF                          | 5.11 NZD       |
| <b>RWT</b>                               |                |
| Coupons - Non FIF                        | 2,804.40 NZD   |

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## Income (All)

The Income tab shows a list of all the interest, dividends and distributions received over the year, separated by fund type (Coupons, PIE, Listed PIE and FIF) with subtotals next to each fund type. The gross income and the tax credits are shown for each dividend. Note that the tax treatment of the amount doesn't depend on whether or not your dividends were reinvested.

### Coupons

| Description                    | Income          | RWT             | NRWT | AIL | FTC | Imputation | Franking |
|--------------------------------|-----------------|-----------------|------|-----|-----|------------|----------|
| <b>Domestic</b>                | <b>8,498.19</b> | <b>2,804.40</b> | -    | -   | -   | -          | -        |
| BNZ TD 3.27% 15 Apr 2019       | 815.26          | 269.04          | -    | -   | -   | -          | -        |
| BNZ TD 3.270% 07 Aug 2019      | 1,621.56        | 535.11          | -    | -   | -   | -          | -        |
| BNZ TD 3.280% 01 Aug 2019      | 1,626.52        | 536.75          | -    | -   | -   | -          | -        |
| BNZ TD 3.420% 29 Oct 2019      | 2,814.30        | 928.72          | -    | -   | -   | -          | -        |
| SBS Bank TD 3.250% 12 Aug 2019 | 1,620.55        | 534.78          | -    | -   | -   | -          | -        |

### Dividends - PIE Fund

| Description                                 | Income          | RWT | NRWT | AIL | FTC | Imputation | Franking |
|---|-----------------|-----|------|-----|-----|------------|----------|
| <b>Equity, Domestic</b>                     | <b>1,888.96</b> | -   | -    | -   | -   | -          | -        |
| AMP Capital Global Property Securities Fund | 487.43          | -   | -    | -   | -   | -          | -        |
| Devon Alpha Fund                            | 74.77           | -   | -    | -   | -   | -          | -        |
| Devon Dividend Yield Fund                   | 507.83          | -   | -    | -   | -   | -          | -        |
| Harbour NZ Core Fixed Interest Fund         | 112.39          | -   | -    | -   | -   | -          | -        |
| Harbour NZ Corporate Bond Fund              | 469.64          | -   | -    | -   | -   | -          | -        |
| Nikko AM Income Fund                        | 223.10          | -   | -    | -   | -   | -          | -        |
| Nikko AM NZ Cash Fund                       | 13.80           | -   | -    | -   | -   | -          | -        |

### Dividends - Listed PIE

| Description                              | Excluded | Imputed | RWT | NRWT | AIL | FTC | Imputation | Franking |
|--|----------|---------|-----|------|-----|-----|------------|----------|
|  | 604.16   | -       | -   | -    | -   | -   | -          | -        |
| Smartshares - NZ Mid Cap Fund (NS) (MDZ) | 604.16   | -       | -   | -    | -   | -   | -          | -        |

### Dividends - FIF

| Description  | Income          | RWT | NRWT | AIL | FTC         | Imputation | Franking |
|--|-----------------|-----|------|-----|-------------|------------|----------|
| <b>Equity, Offshore</b>                                    | <b>1,972.16</b> | -   | -    | -   | <b>5.11</b> | -          | -        |
| Russell Emerging Markets Fund Class B                      | 85.18           | -   | -    | -   | -           | -          | -        |
| Vanguard International Shares Select Exclusions Index Fund | 1,886.98        | -   | -    | -   | 5.11        | -          | -        |

## Income (Custody)

This tab shows non PIE income (you will not need to refer to it when preparing your tax return).

## FIF Income

This tab shows the workings for the two FIF income calculations (FDR and CV), side by side, for each of the AUT funds that you invest in. You can refer to this tab if you need to check how much FIF income comes from a particular fund.

| CV Method  |            |              |           |              |              |                 |  |  |  |  |
|--|------------|--------------|-----------|--------------|--------------|-----------------|--|--|--|--|
| Security   | Open Value | Acquisitions | Disposals | Gross Income | Close Value  | CV Income       |  |  |  |  |
| Russell Emerging Markets Fund Class B                    | -          | 10,000.00    | -         | -            | 9,757.60     | (242.40)        |  |  |  |  |
| Vanguard International Shares Select Exclusions Index Fu | -          | 19,101.92    | -         | 390.18       | 20,324.47    | 1,612.73        |  |  |  |  |
| Vanguard Intl Shares Select Exclusions Index Fund - NZE  | -          | 25,429.35    | -         | 429.35       | 26,993.19    | 1,993.19        |  |  |  |  |
| Russell Global Opportunities Fund \$NZ Hedged B          | 2,067.96   | 497.32       | -         | 497.32       | 2,333.42     | 265.46          |  |  |  |  |
|  |            |              |           |              | <b>Total</b> | <b>3,628.98</b> |  |  |  |  |

| FDR Method |       |        |        |              |            |           |              |        |            |              |               |
|------------|-------|--------|--------|--------------|------------|-----------|--------------|--------|------------|--------------|---------------|
| Holdings   | Open  | Peak   | Close  | Acquisitions | Quick Sale | Disposals | Peak Holding | Actual | Quick Sale | Open Value   | FDR Income    |
|            |       |        |        | Avg Cost     | Total      | Vol       | Adjustment   | Gain   | Adjustment | x 5%         |               |
|            | -     | 6,823  | 6,823  | 1.47         | -          | -         | -            | -      | -          | -            | -             |
|            | -     | 16,822 | 16,822 | 1.14         | -          | -         | -            | -      | -          | -            | -             |
|            | -     | 23,200 | 23,200 | 1.10         | -          | -         | -            | -      | -          | -            | -             |
|            | 1,337 | 1,740  | 1,740  | 1.24         | -          | -         | -            | -      | -          | 103.40       | 103.40        |
|            |       |        |        |              |            |           |              |        |            | <b>Total</b> | <b>103.40</b> |

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## FIF Activity

You can check this tab if you need more detail about your transactions for a FIF fund or if you want to check the figures used in the FIF calculations. It shows the amounts, prices, dates and applicable FX rate for all of your FIF transactions during the year.

| Russell Emerging Markets Fund Class B                      |         |                       |   |       |          |          |            |
|--|---------|-----------------------|---|-------|----------|----------|------------|
| Date   | Journal | Action                | Description   | Qty   | Currency | Amount   | NZD Amount |
| 31 Mar 2017  |         |                       | Opening Values  | -     |          |          |            |
| 21 Nov 2017  | 573656  | Application Trade     | Buy 6,822.57 Russell Emerging Markets Fund Class B at 1.3206                | 6,823 | AUD      | 9,009.89 | 10,000.0   |
| 31 Mar 2018  |         |                       | Closing Values  | 6,823 |          |          | 9,757.6    |
| Russell Global Opportunities Fund \$NZ Hedged B            |         |                       |   |       |          |          |            |
| Date   | Journal | Action                | Description   | Qty   | Currency | Amount   | NZD Amount |
| 31 Mar 2017  |         |                       | Opening Values  | 1,337 |          |          | 2,067.9    |
| 30 Jun 2017  | 432320  | Dividend Payment      | Russell Global Opportunities Fund \$NZ Hedged B : 30 Jun dividend payment   | -     | AUD      | (471.82) | (495.15)   |
| 30 Jun 2017  | 432321  | Equity Trade          | Buy 400.7 Russell Global Opportunities Fund \$NZ Hedged B at 1.1775         | 401   | AUD      | 471.82   | 495.1      |
| 29 Mar 2018  | 758262  | Dividend              | Russell Global Opportunities Fund \$NZ Hedged B : Mar dividend accrual      | -     | AUD      | (2.00)   | (2.12)     |
| 29 Mar 2018  | 758265  | Dividend Reinvestment | Reinvest Russell Global Opportunities Fund \$NZ Hedged B net distribution   | 2     | AUD      | 2.00     | 2.1        |
| 31 Mar 2018  |         |                       | Closing Values  | 1,740 |          |          | 2,333.4    |
| Vanguard International Shares Select Exclusions Index Fund |         |                       |   |       |          |          |            |
| Date   | Journal | Action                | Description   | Qty   | Currency | Amount   | NZD Amount |
| 31 Mar 2017  |         |                       | Opening Values  | -     |          |          |            |
| 19 Apr 2017  | 379159  | Application Trade     | Buy 4,953.13 Vanguard International Shares Select Exclusions Fund at 1.0339 | 4,953 | AUD      | 5,121.04 | 5,500.0    |
| 19 Jun 2017  | 417184  | Application Trade     | Buy 3,920.77 Vanguard International Shares Select Exclusions Fund at 1.084  | 3,921 | AUD      | 4,250.11 | 4,461.7    |
| 3 Jul 2017   | 428363  | Dividend Payment      | Vanguard International Shares Select Exclusions Fund; Jul dividend payment  | -     | AUD      | (88.61)  | (93.11)    |
| 3 Jul 2017   | 428364  | Equity Trade          | Buy 84.14 Vanguard International Shares Select Exclusions Fund at 1.0531    | 84    | AUD      | 88.61    | 93.1       |
| 19 Jul 2017  | 428365  | Application Trade     | Buy 4,367.33 Vanguard International Shares Select Exclusions Fund at 1.0339 | 4,367 | AUD      | 4,498.61 | 4,700.0    |

## Unrealised Gains

If you held AUD on 31 March 2020, any unrealised gains or losses due to foreign exchange movements would be shown in this tab. The tax treatment of foreign exchange gains/losses is complex and we recommend you seek advice on your personal circumstances to confirm whether such gains/losses are required to be included in your IR3.

## Tax Credits

A list of tax credits received from FIF dividends and listed PIE dividends during the year.

# INVESTNOW TAX REPORT: IR3 TAX RETURN USE

## Listed PIE Income

You don't have to include listed PIE income in your tax return, but may choose to do so if you wish. Generally, investors would only elect to include income if their tax rate is less than 28%, as this allows the excess imputation credits to be offset against their other tax liabilities.

Some listed PIE dividends may include an "excluded amount", which is not taxed. This amount does not need to be included in your tax return.



## FIF – FIF rules apply

| Tax Summary Report - Summary tab                     | IR3 Income Tax Return   |
|--|---|
| 1. Income – FIF Income, FIF – FDR method             | Put the figure in 1. or 2. as applicable to the method you have selected in box <b>17B*</b> |
| 2. Income – FIF Income, FIF – CV method              |   |
| 3. Tax Credits – Foreign Tax Credit, Dividends - FIF | Put this figure in box <b>17A**</b>   |

\* This figure cannot be less than zero.

\*\* In some cases, your ability to claim a foreign tax credit may be restricted, and therefore you may not be able to include the full amount in your return. In particular, the credit available in relation to a specific fund cannot exceed your New Zealand tax liability on that fund.

Did you receive any **overseas income**? Attach proof of overseas tax paid and a letter detailing any overseas losses to the return.

No  Go to Question 18      Yes  Print the totals here. See page 19 in the guide.

Total overseas tax paid Total overseas income

**17A▶** \$  ,  ,  . **17B▶** \$  ,  ,  .

If your total overseas income includes a withdrawal and/or transfer from a foreign superannuation scheme, please read page 20 in the guide and tick Box 17C if applicable. **17C▶**

## Term Deposits

| Tax Summary Report – Summary tab        | IR3 Income Tax Return             |
|---|-----------------------------------|
| 1. Interest – Coupons, Domestic         | Put this figure in box <b>13B</b> |
| 2. Tax Credits – RWT, Coupons – Non FIF | Put this figure in box <b>13A</b> |

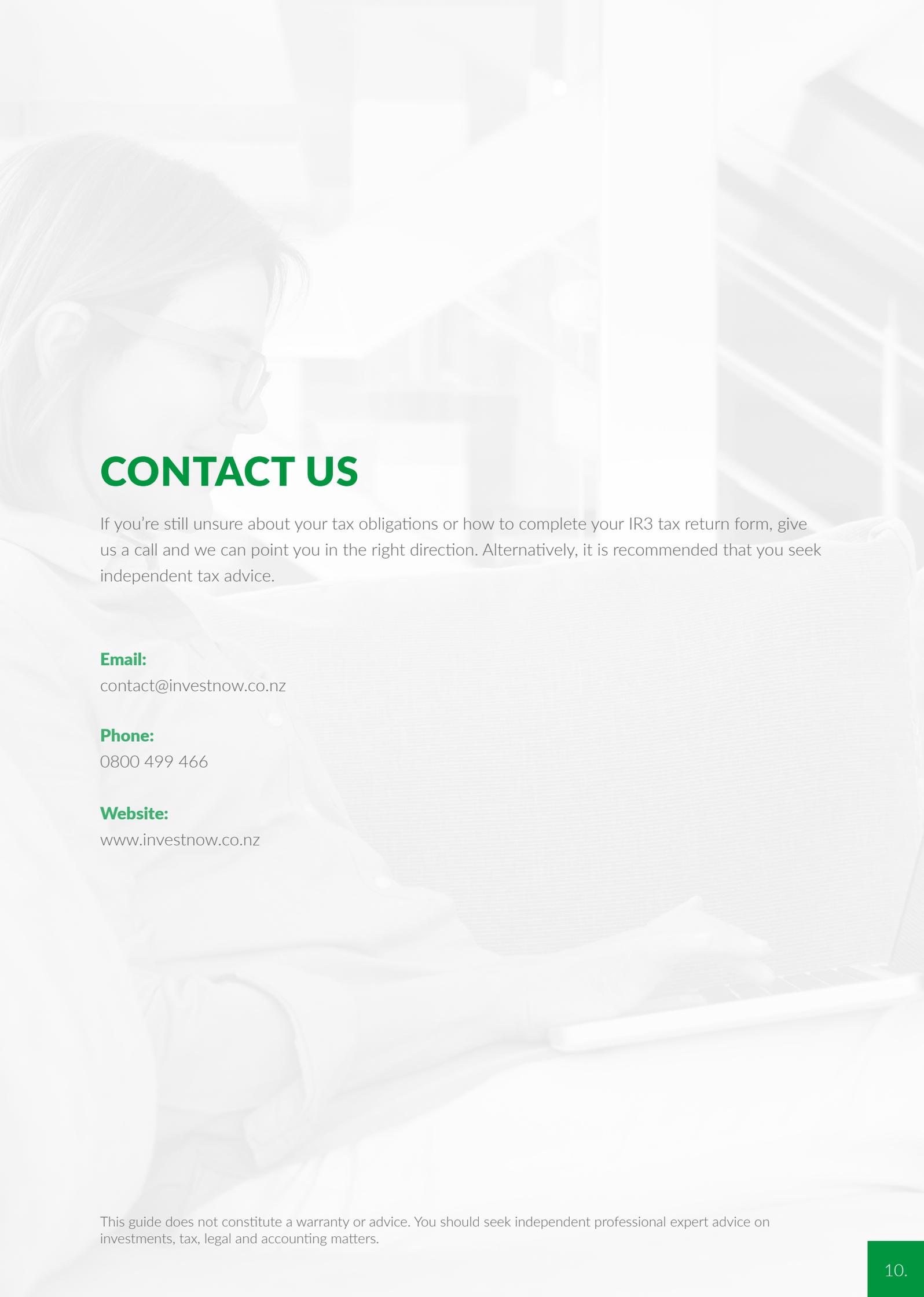
**13** Did you have any **New Zealand interest** paid or credited to you? Include any interest from partnerships, look-through companies and/or trusts. Keep your interest statements or certificates.

No  Go to Question 14      Yes  Print the totals here. See page 15 in the guide.

Total RWT Total gross interest

**13A▶** \$  ,  ,  . **13B▶** \$  ,  ,  .

If any of your interest was received from a partnership, look-through company, trust and/or estate, please tick 13C. **13C▶**

A woman with long dark hair and glasses is shown in profile, looking down at a laptop. She is wearing a light-colored blazer. The background is a bright, modern office with large windows and a staircase. The overall image has a light, airy feel with a soft green tint.

## CONTACT US

If you're still unsure about your tax obligations or how to complete your IR3 tax return form, give us a call and we can point you in the right direction. Alternatively, it is recommended that you seek independent tax advice.

**Email:**

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