Argosy

## Argosy Property Limited 2014 final dividend

As you are aware, Argosy announced a final cash dividend for the 2014 financial year of 1.50 cents per share. Imputation credits of 0.1401 cents per share will be attached to the dividend, representing income tax paid by Argosy.

Overseas investors will receive an additional supplementary dividend of 0.0636 cents per share to offset non-resident withholding tax payable on the dividend.

As Argosy is a listed Portfolio Investment Entity ("PIE") and this is the first dividend that Argosy has paid in some time with imputation credits attached and / or non-resident withholding deducted, we have provided below a brief summary of the general New Zealand taxation implications relating to Argosy's 2014 final dividend. **This note is based on the law at the date of the dividend statement. It does not take into account the specific circumstances of any particular Argosy Shareholder. Argosy Shareholders should consult their own tax advisor for specific advice concerning the tax treatment of this dividend in their particular circumstances. This note does not constitute advice to Argosy Shareholders.**

## New Zealand resident shareholders

### *Options for tax treatment of the dividend*

Natural persons or trusts who receive this dividend have the following two options available to them when filing their New Zealand income tax return:

Option 1: Treat the entire dividend as "excluded income" (effectively ignoring the dividend for tax return purposes). Under this option:

- The dividend is not included as income in your annual New Zealand income tax return.
- If you do not generally file income tax returns, no further action is needed.
- You are not entitled to claim a credit for the value of the imputation credits attached to the dividend (shown on your shareholder dividend statement).

Option 2: Include the "fully imputed" portion of the cash dividend (plus imputation credits) as income and claim a tax credit for the value of imputation credits attached.

Under this option:

- The portion of the dividend which does not have imputation credits attached is effectively ignored (i.e. treated the same as under Option 1).
- The fully imputed portion of the dividend plus the imputation credits is included in your annual income tax return as dividend income. A tax credit is then claimed for the value of the imputation credits attached.

Which option is right for you?

Which option is right for you will depend on your individual circumstances. As a general guide:

- If you are a trustee shareholder or if you are a natural person shareholder with a marginal tax rate of more than 28%, there will be an additional tax cost of including the fully imputed portion of the dividend in your annual tax return.
- If your marginal tax rate is 28% or less, there should be a tax benefit to including the fully imputed taxable portion of the dividend in your annual income tax return.

R.M.FORM No. 0464

***How the fully imputed portion of the dividend is calculated***

Assuming an individual shareholder holds 100,000 shares, the details of the dividend are broken down as follows:

| Cash dividend received | $1,500 (i.e. 100,000 x 1.5c) |
|---|---|
| Imputation credits attached | $140.10 (i.e. 100,000 x 0.14c) |
| Fully imputed portion of dividend | $360.26 |
| Unimputed portion of dividend | $1,139.74 |

*Applying Option 1*

No income is included in the individual's tax return. Equally no credit is claimed for the $140.01 of imputation credits.

*Applying Option 2*

Under this option, the individual shareholder would include the fully imputed portion of the dividend and the imputation credits as gross dividend income in their return. Total dividend income included would be $500.36 (i.e. $360.26 plus $140.10). The unimputed dividend of $1,139.74 is not included as taxable income.

If the shareholder has a *marginal tax rate of 33%* (i.e. total taxable income of greater than $70,000), this would mean additional tax to pay of $25.02, as shown below.

| | |
|---|---|
| Gross dividend income: | $500.36 |
| Tax payable @ 33%: | $165.12 |
| Less imputation credits: | ($140.10) |
| **Additional tax payable:** | **$25.02** |

If however the shareholder has a *marginal tax rate of 17.5%* (i.e. total taxable income of less than $48,000), this would mean a tax refund due of $52.54 (assuming the shareholder has had tax deducted, e.g. PAYE on other income) or an excess imputation credit to carry forward.

| | |
|---|---|
| Gross dividend income: | $500.36 |
| Tax payable @ 17.5%: | $87.56 |
| Less imputation credits: | ($140.10) |
| **Refund (or excess imputation credits) available:** | **($52.54)** |

## Non-resident shareholders

New Zealand has specific tax rules relating to the payment of dividends to non-resident shareholders who have a less than 10% shareholding in the company.

Fully imputed dividends paid by Argosy to a non-resident with a less than 10% shareholding are subject to Non-Resident Withholding Tax ("NRWT") at a rate of 15%. This NRWT is required to be withheld from the dividend by Argosy and paid to Inland Revenue. Non-residents will also receive a supplementary dividend which is equal to the total NRWT that will be deducted.

Due to the operation of the PIE regime, the portion of the dividend paid by Argosy which does not have imputation credits attached will not attract NRWT.

*How does this impact you*?

Non-residents who receive this dividend may be required to include the dividend as income in their foreign income tax return (including the supplementary dividend). If this is the case, a tax credit may be available for the NRWT paid in New Zealand.

We recommend you obtain professional tax advice in your own jurisdiction regarding the specific tax implications to you.