

GST and Your Fonterra Dividend

Previously Fonterra's payout comprised a milk price component and a value add component. Both components were paid out on the basis of milk production. As a result of the capital structure changes at Fonterra, there is now a clearer distinction between the amount paid for milk that farmers supply to Fonterra and the dividend value return component paid on the shares they have in Fonterra.

The first dividend will be paid on the 20th of April 2010 and for Fonterra shareholders this means that it will be typical of a dividend in that there is no GST payable on the payment received.

For those shareholders and sharemilkers who have agreed on a dividend related payment adjustment, the payment received by the sharemilker is considered normal business income and is subject to GST. Where shareholders and sharemilkers have advised Fonterra on how the allocation should be split, buyer-created invoices will be issued by Fonterra for the elected payments. Those shareholders and sharemilkers with arrangements outside the dividend related payment adjustment will still need to apply the above tax treatment and any payment made to the sharemilker will need to have GST included.

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