

Tourism Holdings Limited
The Beach House
Level 1, 83 Beach Road
Auckland City
PO Box 4293, Shortland Street
Auckland 1140, New Zealand

Tel: +64 9 336 4299
Email: info@thlnz.co.nz
www.thlonline.com



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NZX ANNOUNCEMENT

TOURISM HOLDINGS LIMITED (*thl*)

US Tax Legislation Change

The new tax legislation in the USA has been approved by the House and Senate and is expected to be signed into law by the President shortly.

The legislation is a complex document. Late changes made up until the time of passing mean that a full definitive financial analysis of the impact on *thl* cannot be accurately quantified at this stage.

The following is a summary of the main changes that are expected to impact the reported financial results of Tourism Holdings' US-based businesses, based on advice received to date:

Income Tax Rate Impact on Net Profit After Tax

The federal income tax rate will reduce from 35% to 21%. Based on the current distribution of *thl* earnings across US States, and the current State tax rates, the effective total income tax rate including State taxes for *thl* in the USA is expected to reduce from around 40% to around 27%.

The new income tax rate is effective from 1 January 2018, however it is not clear at this stage whether there is an impact on *thl* tax expense in the current financial year ended 30 June 2018 (FY18), apart from a one-off deferred tax balance adjustment. This requires both detailed analysis of the legislation and guidance on interpretation from the Internal Revenue Service.

The first full year in which the lower federal tax rate will apply to *thl* is expected to be the year ended 30 June 2019 (FY19). The positive annual recurring financial impact of this change on reported Net Profit After Tax, based on current levels of earnings and current exchange rates, is expected to be in the range of NZD \$2.3M-\$3.0M.

100% Deductibility for Capital Asset Purchases

The new legislation increases and extends the 'bonus depreciation' claimable for the purchase of new capital assets. New qualifying assets, which we understand includes RVs, will be subject to 100% deductibility in the year of purchase for tax years until 2022. The full deductibility of fleet asset purchases will have the effect of deferring tax cashflows, but will not impact income tax expense.

Self drive experiences

New Zealand
Australia
USA
UK

Design & manufacturing

New Zealand
Australia

Guided experiences

New Zealand



Adjustment to Deferred Tax Liability Balance

Due to the change in tax rate, the Deferred Tax Balance (a liability) will be adjusted to reflect the tax rate change at the date of enactment. This will result in a one-off positive adjustment to FY18 reported Net Profit After Tax. The quantum of this one-off adjustment cannot be accurately forecast until we can fully determine how rates will be applied between now and FY19.

A further update will be provided once further analysis is complete, likely to be at the time of our interim results release in late February.

END

Authorised by:

A handwritten signature in blue ink, appearing to read 'Rob Campbell', is positioned above the printed name.

Rob Campbell
Chairman, Tourism Holdings Limited

For further information contact:

Grant Webster
thl Chief Executive Officer
Direct Dial: +64 9 336 4255
Mobile: +64 21 449 210