



# IOOF

Guide to your Annual Tax Statement (ATS)

## About this Guide

If you have received an ATS in respect of your investment in one of our Trusts, this Guide may assist you and your tax adviser to complete your tax return for the year ended 30 June 2020.

The information in this Guide applies to you if:

- You were an individual Australian resident taxpayer during the year ended 30 June 2020, and
- You hold these investments for long term investment purposes, such that they are treated on capital account for Australian taxation purposes.

This Guide is not intended for use by those:

- With investments held in the name of a company, trust, superannuation fund or partnership;
- Who hold their investments on revenue account; or
- Who are non-residents for Australian taxation purposes.

### Important information

This Guide has been prepared by IOOF Investment Services Limited ABN 80 007 350 405, AFS Licence No. 230703 (IISL) and contains **basic general taxation information**. IISL is not a **registered tax agent** and this information does not constitute tax advice, nor is it a substitute for instructions from the Australian Taxation Office (ATO). You should consider the appropriateness of this information, having regard to your individual circumstances. Australian taxation laws are complex and we recommend you seek taxation advice from a registered tax agent, or registered tax (financial) adviser, before making any decision based on the information contained in this Guide. The information in this Guide is given in good faith and has been prepared based on information that is believed to be accurate and reliable at the time of publication but no warranty of completeness or accuracy is given.

## The purpose of this Guide

The primary purpose of this Guide is to help individual taxpayers to record the information from their ATS into their *Individual Tax Return 2020*, including the *Tax return for individuals (supplementary section) 2020*. Although this Guide has not been prepared for non-individual taxpayers, a section on capital gains tax (CGT) discount rates has been provided at the end of this Guide to help those taxpayers complete their respective tax returns.

You should have received an ATS in relation to the Trust you received a distribution from for the financial year ended on 30 June 2020. The ATS shows the income components of the distribution that you are presently entitled to from your investment in the Trust. It also provides details of the capital gain or loss realised from the sale of your holdings in the Trust (where relevant).

You should refer to your ATS when completing your tax return. If amounts of capital gain are disclosed on your ATS, you may need to refer to the ATO publication *Personal Investors Guide to Capital Gains Tax 2020* for further guidance.

On your ATS, we have indicated the amounts that you should include in your tax return. Each component of your distribution is explained in this Guide.

## Your tax return and your ATS

In your tax return, you must include distributions that you became entitled to during the financial year ended 30 June 2020. You are required to include these distributions in your tax return even if you received your distribution payment after 30 June 2020.

In addition, special rules apply in relation to franking credits attached to Australian franked dividends and/or foreign income tax offsets in respect to foreign tax paid on foreign income and foreign capital gains.

Expenses that relate to earning your income may be tax deductible and may be claimed on your tax return.

## Guide to completing your tax return:

- All amounts are expressed in Australian currency.
- To begin completing your individual tax return, you will need to obtain copies of the following ATO forms and publications:
  - *Tax return for individuals 2020*,
  - *Individual tax return instructions 2020*,
  - *Tax return for individuals (supplementary section) 2020*,
  - *Individual tax return instructions supplement 2020*, and
  - *Guide to foreign income tax offset rules 2020*.
- The labels displayed in this Guide are taken from the *Tax return for individuals (supplementary section) 2020*.
- If you have been distributed capital gain or franking credits, you should also refer to these ATO publications:
  - *Guide to capital gains tax 2020 or the abridged version*
  - *Personal investors guide to capital gains tax 2020 and*
  - *You and your shares 2020*.

If you have received income from other investments during the financial year, you will need to combine the information from those investments with the information we have provided in this Guide.

## Regulatory reporting – Foreign Residents

Please note:

- If you are a US citizen or resident, we are required to report your income to the Internal Revenue Service (IRS), the revenue service of the United States of America (US); and
- If you are a foreign resident (other than a US citizen or resident), we are required to report your income to your country's tax authorities via reporting to the ATO.

Your ATS is divided into three parts:

### Part A – Tax return information (supplementary section)

The amounts reported in Part A of the ATS correspond to the description and labels on the *Tax return for individuals (supplementary section) 2020*. If you do not have income from other sources relevant to these tax return disclosures and labels, transfer the amounts from Part A of this Guide to the corresponding tax return description and label to complete your tax return.

If you are using MyTax 2020, the amounts shown in Part A of the ATS should be entered in the 'Managed Funds' section of the form.

Below is a brief explanation of each label disclosed in Part A of the ATS:

#### 1. Label 13A – Share of credit for foreign resident withholding amounts (excluding capital gains)

This is the credit for amounts of tax withheld due to the imposition of non-resident withholding tax or managed investment trust withholding tax. The credits may also be in respect of Australian income you have received as a foreign resident or credits arising from tax withheld from your investment in the Trust. Like other tax credits, the credits for foreign resident amounts withheld may be offset against your Australian tax liability from your taxable income.

#### 2. 2. Label 13C – Franked distributions from trusts

This amount is your share of franked dividends, grossed up for any franking credits that have been paid or credited to your account from your investment in the Trust.

#### 3. 3. Label 13U – Share of net income from trusts, less capital gains, foreign income and franked distributions

This amount is the sum of interest, unfranked dividends, other Australian income, non-concessional MIT income (NCMI), excluded from NCMI and Clean Building MIT (CBM) income that has been paid or credited to your account from your investment in the Trust. It excludes the amount of capital gains, foreign income and franked distributions from trusts.

Any deductible expenses you may have incurred in relation to this income are entered at label 13Y.

#### 4. Label 13Q – Share of franking credit from franked dividends

This amount is your share of franking credits referable to the franked distributions disclosed at label 13C. Franking credits represent the credits the tax that an Australian company has already paid on its earnings. Your entitlement to claim franking credits as a franking tax offset to reduce your Australian tax liability will be conditional upon you satisfying the "holding period rule".

For further information on the 'holding period rule' you should consult the ATO publication *You and your shares 2020*.

## 5. Label 13R – Share of credit for tax file number (TFN) amounts withheld from interest, dividends and unit trust distributions

This is the withholding tax amount that has been deducted from your share of distributions where you have not provided your TFN or claimed an exemption to provide the TFN for your investment in the Trust. Tax is deducted at the top marginal tax rate.

## 6. Label 13Y – Other deductions relating to distributions

This is the amount of expenses deducted from your investment during the financial year. The amount has been applied to reduce the number of units you hold in the Trust, instead of reducing the amount of cash distributed by the Trust. Any resulting gain or loss on those units has been included in the realised gains or losses on the sale of your holdings in the Trust.

## 7. Label 18H – Total current year capital gains

This amount is the sum of all capital gains received from Australian unit trusts and capital gains arising from the sale of your units in the Trust without applying the capital gains tax (CGT) discount. This amount also includes any foreign net capital gains and any foreign tax on foreign net capital gains (if applicable). For a more detailed explanation on capital gains, please refer to the Capital Gains Tax section of this Guide.

## 8. Label 18A – Net capital gain

This amount is the net capital gain relating to both distributed capital gains and realised capital gains from the disposal and/or redemption of your units in the Trust, after applying current year and/or prior year capital losses and the relevant CGT discount. The items making up this amount are detailed in Part B of your ATS.

Capital gains and losses derived from other investments will also need to be taken into account in working out the amount disclosed at label 18A. The amount disclosed at label 18A will need to be adjusted to include these additional capital gains or losses. If there are current year and/or prior year capital losses, you are required to offset these capital losses against gross (i.e. undiscounted) capital gains before calculating the amount of discounted capital gains. The discount rate that has been applied to your discounted capital gains is located at 'Other information for investors' section of this Guide, with reference to your entity type on your ATS.

Please refer to the ATO publication *Guide to capital gains tax 2020* and *Personal investors guide to capital gains tax 2020* for further information.

## 9. Label 19K – Foreign entities – CFC income

This amount is the income and gains of foreign companies to which you hold a direct or indirect controlling interest. For more information on Controlled Foreign Company (CFC) please refer to Chapter One of the ATO publication *Foreign income return form guide 2020*.

## 10. Label 20E – Assessable foreign source income

This amount includes assessable foreign dividends, foreign interest and any other assessable foreign income (including foreign tax offsets on income not already shown) distributed by the Trust from its direct or indirect overseas investments. However, the amount excludes foreign net capital gains (which would be included at labels 18H and 18A).

If you derived assessable foreign income or losses from other sources, you may need to adjust the above amounts to include this additional foreign income and loss.

Please refer to the ATO publication *Individual tax return instructions supplement 2020* for further detailed instructions.

## 11. Label 20M – Other net foreign source income

This amount is your assessable foreign source income at label 20E reduced by your foreign income deductible expenses.

If you have no foreign income deductible expenses, the amount at label 20M will be the same as label 20E.

Please refer to the ATO publication *Individual tax return instructions supplement 2020* for further detailed instructions.

## 12. Label 20O – Foreign income tax offsets

This amount is your share of foreign income tax offset attached to the assessable foreign source income. The foreign income tax offset (FITO) represents the amount of foreign tax paid on foreign source income and foreign capital gains received from foreign investments. The amount of assessable foreign source income provided at label 20E are grossed up to include FITO. You are required to also show the FITO separately at this label.

If your FITO from all sources for the financial year is no more than \$1,000 you can claim this amount in full.

Otherwise, if you are claiming more than \$1,000 you should refer to the ATO publication *Guide to foreign income tax offset rules 2020* to work out your FITO entitlement. In such situations, your actual FITO entitlement will depend on your individual circumstances, taking into account all of your foreign income and expenses.

### 13. Label 20F – Australian franking credits from a New Zealand franking company

This amount is the Australian franking credits distributed by New Zealand resident companies that had chosen to join the Australian imputation system and distribute assessable franked dividends. The franked dividend from the New Zealand franking company that paid the Australian franking credits is disclosed at label 20E.

To check your eligibility to claim the Australian franking credits from New Zealand companies please refer to the ATO publication *You and your shares 2020*.

### 14. Label 24V – Other income

This amount is the management fee rebate credited to your investment during the financial year. The amount has been applied to increase the number of units you hold in the Trust, instead of increasing the amount of cash distributed from your investment in the Trust.

## Part B – Distribution components and capital gain/loss on the sale of holdings

This section of the ATS explains the income components of your distribution and capital gain/loss arising from the sale of your units in the Trust. You may need to consult this additional information to assist you in completing your tax return.

### Australian income

This is the non-primary production income that has been paid or credited to your account. Basically, it is the sum of the amount at label 13U (non-primary production income) and label 13C (franked distributions from trust). The information on franked dividend and franking credits may assist you in completing the *Application for refund of franking credits for individuals 2020* (if applicable).

Distributions from property trusts are shown as other Australian income.

### Non-concessional MIT income (NCMI), Excluded from NCMI and Clean Building MIT income

#### Non-concessional MIT income (NCMI)

Broadly, this is income where the Managed Investment Trust (MIT) derives, receives or makes an amount that is attributable to:

- Cross staple arrangement between an operating entity and an asset entity (i.e. "MIT cross staple arrangement income");
- Distributions from a trading trust, either directly or indirectly through a chain of flow-through entities, to a MIT (i.e. "MIT trading trust income");
- An asset (whether or not held by the MIT) that is Australian agricultural land for rent (i.e. "MIT agricultural income"); or
- A residential dwelling asset whether or not held by the MIT (i.e. "MIT residential housing income")

The income that is classified as NCMI refers to income categorised as 'other Australian income' or 'capital gains', both of which are assessable income for Australian tax purposes<sup>1</sup>. The amount of NCMI capital gains is further sub-categorised as either discounted capital gains or other capital gains, based on the principles detailed below.

Further information on NCMI is detailed in the Draft Law Companion Ruling LCR 2019/D2 'Non-concessional MIT income' on the ATO website: [www.ato.gov.au](http://www.ato.gov.au)

#### Excluded from NCMI

Broadly, this is income excluded from NCMI because the MIT is an approved economic infrastructure facility<sup>2</sup> or the MIT elected and applied any of these transitional provisions, namely:

- Section 12-440 of Schedule 1 to the Tax Administration Act 1953 (TAA 1953) – Transitional – MIT cross staple arrangement income
- Section 12-447 of Schedule 1 to the TAA 1953 – Transitional – MIT trading trust income
- Section 12-449 of Schedule 1 to the TAA 1953 – Transitional – MIT agricultural income
- Section 12-451 of Schedule 1 to the TAA 1953 – Transitional – MIT residential housing income

The income that is classified as excluded from NCMI refers to income categorised as 'other Australian income' or 'capital gains', both of which are assessable income for Australian tax purposes<sup>3</sup>. The amount of excluded from NCMI capital gains is further sub-categorised as either discounted capital gains or other capital gains, based on the principles detailed below.

Further information on what is excluded from NCMI is detailed in Draft Law Companion Ruling LCR 2019/D2 'Non-concessional MIT income' on the ATO website: [www.ato.gov.au](http://www.ato.gov.au)

<sup>1</sup> NCMI categorised as 'other Australian income' is disclosed in the 'Australian income' section of Part B of the ATS. This income is also included in the amount of non-primary production income shown at label 13U, Part A of the ATS.

<sup>2</sup> As defined at subsection 12-437(5) of Schedule 1 to the Tax Administration Act 1953

<sup>3</sup> Excluded from NCMI categorised as 'other Australian income' is disclosed in the 'Australian income' section of Part B of the ATS. This income is also included in the amount of non-primary production income shown at label 13U, Part A of the ATS.

## Clean Building MIT (CBM) income

Broadly, a clean building MIT is a MIT that:

- holds one or more clean buildings (as defined) that commenced construction on or after 1 July 2012, including the land in which the buildings are situated; and
- does not derive assessable income from any taxable Australian property other than from the clean buildings or assets that are reasonably incidental to those buildings.

The income derived by the clean building MIT is comprised of 'other Australian income' or 'capital gains', both of which are assessable income for Australian tax purposes<sup>4</sup>. The amount of clean building MIT capital gains is further sub-categorised as either discounted capital gains or other capital gains, based on the principles detailed below.

Further information on clean building MIT is available on the ATO website: [www.ato.gov.au](http://www.ato.gov.au)

## Capital gains

### Discounted capital gains

These are capital gains that are eligible for the CGT discount. The CGT discount is generally only available where the asset has been held for 12 months or more. The amount of discounted capital gain distributed is shown in the 'Cash Distribution' column, whereas the amount assessable for tax purposes is shown at the 'Taxable Amount' column.

The discount rate applied in calculating your discounted capital gains is located in the 'Other information for investors' section of this Guide, with reference to your entity type.

For non-resident individual investors, please note until 8 May 2012, the CGT discount of 50% was available to non-resident individual investors who were subject to capital gains tax on taxable Australian property. For assets acquired after 8 May 2012, this discount is generally not available to non-resident individual investors. Further information is available in the ATO publication *Guide to capital gains tax 2020*.

### Indexed capital gains

These gains have been calculated under the frozen indexed cost base method and the entire amount is fully assessable.

## Other capital gains

These gains arise from the disposal of assets within 12 months of purchase. The entire amount of the gain is fully assessable.

### TAP and NTAP capital gains

For Australian resident investors, the classification of capital gains between taxable Australian property (TAP) and non-TAP (NTAP) can be disregarded for the purposes of completing your tax return.

Non-resident investors for Australian tax purposes are only subject to capital gains tax on assets classified as TAP assets. Accordingly, non-resident investors are not subject to withholding tax on capital gains arising from disposals of capital assets classified as NTAP assets.

We suggest that you seek professional taxation advice from your tax adviser in relation to your capital gains obligations and any other assistance that you may require.

## Foreign income

For Australian resident investors, the income you receive from an overseas source must be included in your tax return. Foreign capital gains are not included here, rather these amounts are disclosed at gross and net capital gains (labels 18H and 18A).

If you are a non-resident investor, the foreign income distributed to you may not be assessable in Australia. We suggest you seek professional taxation advice regarding your Australian tax obligations in relation to the foreign income you received.

## Other non-assessable amounts

This refers to tax free amount, tax deferred amount, return of capital, net exempt income and non-assessable non-exempt (NANE) income that have been distributed to you. Excluding NANE income, these non-assessable amounts will reduce the cost base or reduced cost base of your investment in the Trust and you may be required to include this in your tax return. NANE income is not assessable for tax purposes (i.e. effectively tax-free income) and tax losses are unaffected.

For further information regarding the treatment of these amounts, please refer to the ATO publication *Guide to capital gains tax 2020*.

<sup>4</sup> Clean building MIT income is disclosed in the 'Australian income' section of Part B of the ATS. This income is also included in the amount of non-primary production income shown at label 13U, Part A of the ATS.

## Part C – Capital gains and losses on the sale of your units

The 'Realised capital gains/losses – detail' report provides additional information on the capital gains and losses realised from the sale and/or redemption of your units in the Trust during the financial year. This capital gains and losses information is summarised and disclosed at 'Capital gain/loss on the sale of holdings', Part B of the ATS. In addition, these capital gains and losses have been added to the amount of capital gains distributed by the Trust, and this total is disclosed as gross capital gains at label 18A in Part A of the ATS. Should you have capital gains or losses from other sources, or prior year carried forward capital losses, you will need to include these additional capital gains or losses when determining your overall CGT position.

## Other information for investors

### Capital gains tax discount rates

The table below provides the CGT discount rates used to calculate the amount of discounted capital gains according to the entity type listed on your ATS.

Entity	Discount rate %
Company	0.00
Individual	50.00
Partnership <sup>5</sup>	50.00
Superannuation fund	33.33
Trust	50.00

<sup>5</sup> This assumes the partner of the partnership is an individual and therefore is entitled to the 50% CGT discount.

