IOOF

Guide to your IDPS tax statement

About this guide

If you have an investment in any of our investor directed portfolio services (IDPS) you can use this guide to help you complete your *Tax return for individuals 2018* (tax return).

The information in this guide applies to you if:

- you were an individual Australian resident taxpayer during the year ended 30 June 2018 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 Management Limited ABN 53 006 695 021, AFS Licence No. 230524 (IIML) and contains **basic general taxation information**. IIML is not a **registered tax agent** and this information is not a substitute for tax advice or 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 tax statement into their tax return, including the Tax return for individuals (supplementary section) 2018. A section on capital gains tax (CGT) discount rates has been provided at the end of this guide to help non-individual taxpayers complete their respective income tax returns.

You should have received a tax statement for each IDPS account you have with us. The tax statement is a record of your present entitlement to income and/or income attributed to you from your investment during the financial year ended on 30 June 2018. It also details capital gains or losses realised on the sale of your holdings (where relevant).

You should refer to your tax statement when completing your tax return. If you have capital gain amounts on your tax statement, you may need to refer to the ATO publication *Personal Investors Guide to Capital Gains Tax 2018* for further guidance.

On your tax statement, we have indicated the amounts that need to be included in your tax return. Each component of your distribution is explained in this guide.

Your tax return and your tax statement

In your tax return, you must declare income that you became presently entitled and/or attributed to during the financial year ended 30 June 2018. This may not coincide with the actual cash distribution you have received during the same period.

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.

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 2018*
  - *Tax return for individuals (supplementary section) 2018*
  - *Individual tax return instructions 2018*
  - *Individual tax return instructions supplement 2018*
  - *Guide to foreign income tax offset rules 2018*
  - *Guide to capital gains tax 2018* or the shorter version *Personal investors guide to capital gains tax 2018* (if the tax statement discloses capital gain amounts)
  - *You and your shares 2018* (if you have received franking credits from your distribution)
  - *Foreign income return form guide 2018* (if you derived or attributed to income and gains of foreign companies that you had a direct or indirect controlling interest).

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

For the 2017/18 financial year, please note that:

- if you are a United States (US) citizen or resident, we may be required to report your income to the US tax authority and
- if you are a non-resident of Australia (or a US citizen or resident), we may be required to report your income to your country's regulator which is reported via the ATO.

Part A – Tax return information

This section of your tax statement provides a summary of the tax assessable income (including tax offsets) that should be reported in the *Tax return for individuals 2018* and *Tax return for individuals (supplementary section) 2018*. For investors with straightforward circumstances, this information should help you complete your tax return.

The components of your distribution are shown in Part B of your tax statement.

1. Label 11S – Dividends – unfranked amount

This item represents the total of unfranked dividends (including any TFN amounts withheld) that have been paid or credited to your account from direct investments in Australian companies.

2. Label 11T – Dividends – franked amount

This item represents the total franked dividends that have been paid or credited to your account from direct investments in Australian companies.

3. Label 11U – Dividends – franking credit

This item shows the amount of franking credits (including cents) attached to franked dividends from direct investments in Australian companies.

Franking credits are Australian tax offsets that you may be entitled to claim. Your entitlement to claim franking credits as a tax offset against your Australian tax liability is subject to you satisfying the 'holding period rule'.

Refer to *You and your shares 2018* for further information on the holding period rule.

4. Label D8 – Dividend deduction

This item represents the sum of expenses incurred in earning dividend income and/or if you received a dividend from a listed investment company (LIC) that includes a LIC capital gain amount during the financial year, the income tax deduction of 50% of the LIC capital gain amount.

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

This item includes amounts withheld from some payments to specific recipients due to the operation of the foreign resident withholding regime. The credits may be in respect of Australian income you have received as a foreign resident, or managed investment trust (MIT) and/or attribution MIT (AMIT) withholding. Like other tax credits, the credits for foreign resident withholding amounts may be offset against your Australian tax liability from your taxable income.

6. Label 13C – Franked distributions from trusts

This item includes franked dividends, grossed up for any franking credits that have been paid or credited to your account from your investment in Australian unit trusts.

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

This item includes interest, unfranked dividends, and other Australian income that have been paid, credited or attributed to you from your investment in Australian unit trusts. It excludes capital gains, foreign income and franked distributions which are shown separately on your tax statement.

Any deduction you may be able to claim against this income are entered at label 13Y, in order to arrive at your net non-primary production amount.

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

This item includes your share of franking credits (including cents) from the trust's direct or indirect investment in an Australian company. Franking credits are credits for Australian tax that has been paid by a company on its earnings. Your entitlement to claim franking credits to reduce your Australian tax liability will be conditional upon you satisfying the 'holding period rule'.

Refer to *You and your shares 2018* for further information on the holding period rule.

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

This item is the TFN amounts withheld from trust distributions paid or payable where you have not supplied a TFN, or claimed a relevant exemption.

10. Label 13Y – Other deductions relating to distributions

This item is the sum of tax deductible expenses (if any), that were charged to your account during the financial year. These expenses may be deducted against the distribution income you received.

If you have incurred additional deductible expenses in relation to your distribution income (and not recorded in the tax statement), these should also be included at this label.

11. Label 18H – Total current year capital gains

This item is the total amount of capital gains, before any capital gains tax (CGT) discount is applied. That is, discount capital gains received from Australian unit trusts and/or realised from the sale of your holdings, during the financial year, have been grossed up by the relevant CGT discount rate or are prior to the discount being applied. This amount also includes any foreign net capital gains (if applicable).

12. Label 18A – Net capital gain

This item is the net capital gain relating to both distributed capital gains and realised capital gains from the disposal of your holdings, after any capital losses and/or applicable CGT discount have been applied. The items making up this amount are detailed in Part B of your tax statement.

Capital gains or losses derived from other sources will also need to be taken into account when completing this label. If current year and/or prior year capital losses are to be applied to a discount capital gain, ensure you offset these losses against the gross capital gains first before applying the CGT discount. The discount rate that has been applied to your discount gains can be found in the section 'Information for Investors', with reference to your entity type on your tax statement.

Refer to *Personal investors guide to capital gains tax 2018* for further information about capital gains.

13. Label 19K – Foreign entities – CFC income

This item applies to income and gains of foreign companies to which you had a direct or indirect controlling interest. *Refer to Foreign income return form guide 2018* for further information on Controlled Foreign Company (CFC) measures.

14. Label 20E – Assessable foreign source income

This item includes income distributed to you from direct or indirect overseas investments of the trust. It is the sum of assessable foreign dividends, foreign interest and any other assessable foreign income (including foreign tax offsets on income not already shown) for which you are liable to pay Australian income tax as an Australian resident. However, it will exclude amounts of foreign net capital gains (which are to be included at Labels 18H and 18A).

If you have foreign income or losses from other sources, you will need to take these into account when completing this label.

Refer to *Individual tax return instructions supplement 2018* for further instructions.

15. Label 20M – Other net foreign source income

This item takes into account all foreign deductible expenses incurred in earning foreign sourced income. The sum of the foreign deductions is to be subtracted from your assessable foreign source income (label 20E) to arrive at the amount of net foreign source income.

If you did not incur any foreign income deductions relating to foreign income, the amount disclosed at label 20M will be the same as label 20E.

Refer *Individual tax return instructions supplement 2018* for further instructions.

16. Label 20O – Foreign income tax offsets

This item is your share of foreign income tax offsets (including cents) attached to the foreign income distributed to you. 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.

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

If you are claiming more than $1,000 you should refer to *Guide to foreign income tax offset rules 2018* to work out your entitlement. In such situations, your actual FITO entitlement will depend on your individual circumstances, taking into account all of your foreign income and expenses.

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

This item relates to franking credits from tax paid in Australia by New Zealand companies which the trust has directly or indirectly invested. The relevant dividend, net of the Australian franking credits from New Zealand franking companies, is included as part of your foreign source income (label 20E).

To check your eligibility to claim the Australian franking credits from a New Zealand franking company, refer to *You and your shares 2018.*

18. Label 24V – Other income

This item refers to any fee refunds and good value claim(s) applied to your account during the financial year. This amount has been included in the amount of distribution income you received.

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

This section of your tax statement gives you a detailed breakdown of your distribution components, and capital gain/loss details from the sale of your holdings. Information pertaining to the other income and other deductions relating to distributions is provided for your reference and is not covered any further in this guide. The additional information in Part B of the tax statement may be required to complete your tax return.

A brief outline of the meaning and likely tax treatment of certain components disclosed on the tax statement is set out below.

Investments in Australian companies

Income from investments in Australian companies is comprised of franked and unfranked dividends. Franked dividends include a franking credit which represents the amount of tax paid by the issuing company. This franking credit may be available to you as a refundable tax offset.

Investments in trusts

Investments in trusts show the distribution of non-primary production income that has been paid or credited to your account from your investments in Australian unit trusts. Non-primary production income consists of franked and unfranked dividends, interest and other income. The franked dividend component details your eligibility to franking credits, which may be refundable to you. This information may also assist you to complete the *Application for refund of franking credits for individuals 2018* (if applicable).

Distributions from property trusts are shown as other income.

Capital gains

Discounted capital gains

These are capital gains that are eligible for the CGT discount. The amount of the gain has been distributed to you, is shown at the column 'cash distribution'. Both the taxable portion of the discounted capital gain and the non-taxable portion of the discounted capital gain for AMITs(referred to as 'AMIT CGT gross up amount'), are shown at the column 'taxable/ attribution amount'. As for the non-taxable portion of the discounted capital gain for MITs and any other additional cash distributed in relation to discounted capital gains are disclosed under as 'Other capital gains distribution'.

The discount rate used to calculate your discounted capital gains can be found in the section 'Information for Investors', with reference to your entity type.

Other capital gains

These gains have either been calculated using the indexation method or relate to assets held for less than 12 months before the relevant CGT event occurred. The entire amount of the capital gain is taxable.

TAP and non-TAP gains

For Australian resident investors, the split of capital gains between Taxable Australian Property (TAP) and non-TAP can be disregarded for the purposes of completing your tax return.

The split of capital gains between TAP and non-TAP is only relevant for non-resident investors. Non-resident investors pay Australian tax on TAP capital gains arising from TAP assets. If you are a foreign resident investor, you may be entitled to an exemption from CGT on capital gains derived from assets that are classed as non-TAP.

Please note that the law has been amended to remove or reduce the CGT discount on capital gains made after 8 May 2012 by non-resident individuals. Please refer to Guide to capital gains tax 2018 for further information.

We suggest that you seek professional advice from your tax adviser in regards 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 Label 18 (capital gains).

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 respect of the foreign income you have received or attributed to you.

Non-assessable amounts

For MITs, the non-assessable amounts consist of tax-free income, tax deferred, return of capital, net exempt income and other capital gains distribution that have been distributed to you from Australian unit trusts.

For AMITs, the non-assessable amounts consist of non-attributable amounts, net exempt income and non-assessable non-exempt income that have been distributed to you. The other non-attributable amounts are cash distributions and other entitlements from an AMIT that exceed the amount of attribution income. This is broadly made-up of tax free, tax deferred, return of capital and AMIT cost base net increase or AMIT cost base net decrease (as applicable). These non-assessable amounts will affect either the cost base (or reduced cost base) of your investment and this is reflected in the calculation of the AMIT cost base adjustments net amount.

Refer to *Guide to capital gains tax 2018*, for further information regarding the treatment of these non-assessable amounts.

AMIT cost base adjustments net amount

AMIT cost base net increase

This is where the sum of gross cash distribution and tax offsets is less than the total amount disclosed in the 'Taxable/Attribution amount' column.

The increase in the cost base and reduced cost base (as applicable) of your units by the amount of AMIT cost base net increase is reflected in the column 'Acquisition cost' of the Realised capital gains/losses – detail by investment option report.

AMIT cost base net decrease

This is where the sum of gross cash distribution and tax offsets is more than the total amount disclosed in the 'Taxable/Attribution amount' column.

The reduction in the cost base and reduced cost base (as applicable) of your units by the amount of AMIT cost base net decrease is reflected in the column 'Acquisition cost' of the Realised capital gains/losses – detail by investment option report.

A capital gain may also arise if the amount of AMIT cost base net decrease is greater than your adjusted cost base in the membership interests of the unit trust.

Capital gains/losses details on the sale of holdings

Part B of your tax statement provides additional details of the capital gains or losses realised from the redemption of your investments during the financial year. These amounts have been included at items 18A and 18H on part A of your tax statement, together with any distributed gains mentioned above. Should you have gains/losses from other sources or prior year carried forward losses, you will need to take this into account in determining your overall CGT position.

Other information for investors

Capital gains tax discount rates

The table below lists the discount rates used to calculate your discounted capital gains according to the entity type listed on your tax statement.

ENTITY	DISCOUNT RATE %
Company	0.00
Individual	50.00
Partnership	50.00
Superannuation fund	33.33
Trust	50.00

Attribution Managed Investment Trust (AMIT)

The AMIT regime became law in May 2016 and this may impact on the nature of the underlying managed investment schemes invested by any one of our Trusts. Broadly, an AMIT is a managed investment trust (MIT) where the interests of members are 'clearly defined' and the MIT has made an irrevocable election to enter into the regime.

Please note that our Trusts may invest in MITs that have adopted the AMIT regime. As a result, minor changes apply to the layout of disclosure items that are reported in your tax statement. Your tax statement will include additional notes highlighting these minor changes (where applicable).

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