



# 1 How managed investment schemes are taxed

## **Investing in the Fund is likely to have tax consequences**

The following comments should not be regarded as tax advice and are based on current taxation laws and their interpretation.

### **Tax position of the Fund**

On the basis that investors are entitled to all of the distributable income of the Fund for a financial year, the Fund itself should not be liable for tax. Investors who are entitled to a share of the Fund's distributable income will be required to include a proportionate share of the taxable income of the Fund in their assessable income.

### **Taxation of investors**

Managed investment schemes are generally not required to pay tax on behalf of Australian resident investors. However, income distributed to non-resident investors may be subject to Australian withholding tax. Investors are assessed for tax on any income and capital gains generated by the Fund. The amount that is included in your assessable income is based on your share of the Fund's distributable income in the financial year that it arises, whether it is paid to you or reinvested, even though you may receive some or all of it in the next financial year.

Depending on your individual circumstances, you may also be entitled to the benefit of franking credits or eligible to claim foreign income tax offsets.

You may also incur a capital gains tax liability if you dispose of your units by way of transfer or withdrawal from the Fund.

The tax statement that you receive for each financial year will show the tax composition of any distributions that you have received from the Fund.

### **Taxation reform**

The Government has introduced new attribution managed investment trust (AMIT) rules. In order for the Fund to take advantage of the AMIT rules, it is our intention to elect into the regime effective from 1 July 2017 giving us greater flexibility in determining and attributing the Fund's taxable income to investors.

***The Australian taxation system is complex and we strongly advise that you seek independent professional tax advice about your specific circumstances.***

***Investing in the Fund may also affect your entitlement to pension or other social security benefits. We suggest you seek advice from your financial adviser or Centrelink.***

This tax information is of a general nature and is current as at 1 Feb 2017. This information provided is a general overview of the tax implications for Australian resident investors who hold their units on capital account. However, the application of these laws depends on your individual circumstances.

The following comments should not be regarded as tax advice and it is recommended that you seek independent professional tax advice about your specific circumstances. This guide applies to Australian resident investors unless otherwise specified.

### **Tax position of the Fund**

On the basis that investors are entitled to all of the distributable income of the Fund for a financial year, the Fund itself should not be liable to tax. Investors that are entitled to a share of the Fund's distributable income will be required to include a proportionate share of the taxable income of the Fund in their assessable income.

### **Managed Investment Trusts (MITs)**

Current tax legislation allows us, as responsible entity, to make an irrevocable election to apply the Capital Gains Tax (CGT) provisions as the primary regime for taxation of gains and losses from the realisation of an asset, where the Fund is an eligible MIT.

This means investors who are Australian resident individuals or complying superannuation entities are entitled to the CGT tax concessions on distributions of capital gains made on the disposal of shares or units where they have been held by the Fund for more than 12 months.

Distributions of certain capital gains to non-resident investors may be distributed free from tax.

Each Fund is an eligible MIT and we have made the election for the CGT provisions to apply to these Funds.

### **Taxation of investors**

Investors are assessed for tax on any income and capital gains generated by the Fund. The amount that is included in your assessable income is based on your share of the Fund's distributable income in the financial year that it arises, whether it is paid to you or reinvested, even though you may receive some or all of it in the next financial year.

### **Franking credits**

Franked dividends received by the Fund and related franking credits will be included in the calculation of the taxable income of the Fund.

The distribution may include dividends and a credit for these amounts may be available to you depending on your specific circumstances and subject to various integrity rules, such as the 45 day holding period rule.

Any excess franking credits may be refundable to Australian resident individuals and complying superannuation entities. Companies are not entitled to a refund on any excess franking credits however the excess franking credits may be converted into tax losses for corporate entities.

### **Capital gains tax**

You must include any realised capital gain or loss on disposal (withdrawal or transfer) of your units, together with any net realised capital gain distributed by the Fund, when calculating your net capital gain or loss.

Certain non-assessable distributions made by the Fund may also reduce the cost base of units.

If you have a net capital gain, this should be included in your assessable income. A net capital loss may be carried forward to offset against future capital gains though it may not be offset against ordinary income.

When calculating the taxable amount of a capital gain, Australian resident individuals either directly or indirectly via a trust may receive a discount of 50% and complying superannuation entities a discount of 33%, where the relevant asset has been held for more than 12 months.

### **Foreign Income Tax Offsets (FITOs)**

If you are an Australian resident investor, you may be entitled to claim a FITO for any foreign tax paid on the Fund's foreign income. Your ability to use these FITOs will depend on your individual tax circumstances.

Australian resident individual investors claiming a FITO of up to \$1,000 are entitled to claim the actual amount of foreign income tax paid. Those claiming a FITO of more than \$1,000 will need to calculate their FITO limit.

This limit is based on a comparison between your current tax liability and the tax liability you would have if certain foreign taxed and foreign sourced income, and related deductions, were not included.

This may result in the tax offset being reduced to the limit. Any foreign income tax paid above this limit is not available to be carried forward to a later income year or be refunded.

### **Non-resident investors**

If you are not an Australian resident for tax purposes, we will withhold applicable tax from any distributions from the Fund paid to you. The tax rate used can depend on several factors, such as the character of the income included in the distribution, your country of residence and whether that country is an 'information exchange country'.



### **Tax File Number (TFN)**

We are authorised to collect Tax File Numbers, with their use and disclosure being strictly regulated by the tax laws and the Privacy Act.

You may wish to provide us with your TFN or ABN (if applicable) in relation to your investment in a Fund.

If you choose not to provide your TFN, ABN or TFN-exemption, we must withhold tax from all distributions at the highest marginal tax rate plus Medicare Levy (if applicable) and Budget Repair Levy (if applicable), plus any other government levy or tax.

### **Goods and Services Tax (GST)**

Each Fund is registered for GST, which is generally payable by a Fund on fees and any reimbursement of expenses. Each Fund may be entitled to claim Input Tax Credits and Reduced Input Tax Credits (RITCs) of between 55-75% of the GST paid, depending on the type of fee or expense. Each Fund intends to claim the full amount of the RITC applicable, the benefit of which has been reflected in the management costs for that Fund.

### **Foreign Account Tax Compliance Act (FATCA)**

The United States of America has enacted rules known as FATCA. FATCA could result in a Fund becoming subject to a 30% withholding tax on part or all of the payments it receives from US sources (from 1 January 2014) or from financial institutions or investment bodies with US assets (from 1 January 2017).

On 28 April 2014, Australia entered into an Intergovernmental Agreement (IGA) with the United States of America to improve international tax compliance and implement FATCA. The Australian Government has introduced legislation to give domestic effect to Australia's obligations under the IGA.

Each Fund intends to comply with its obligations under the statutory law. However, this cannot be assured given the complexity of the FATCA requirements. If the Fund is unable to satisfy the obligations imposed on it to avoid the imposition of FATCA withholding, certain US sourced payments made to the Fund may be subject to a 30% FATCA withholding tax and penalties under Australian domestic laws, which could reduce the proceeds available for investors.

Investors should consult their own advisors regarding the possible implications of FATCA on their investment in a Fund and the information that may be required to be provided and disclosed to us, and in certain circumstances, to the IRS.

### **Attribution Managed Investment Trust (AMIT) regime**

A new AMIT regime has been introduced for MITs which is intended to provide greater certainty for MITs that elect into the new rules.

A MIT will qualify to make the election where the MIT is either registered under the *Corporations Act 2001 (Cth)* or the members of the MIT have clearly defined interests in relation to the income and capital of the trust.

Under this regime, qualifying MITs that have elected to apply the AMIT rules will attribute the taxable income of the Fund to the members on a fair and reasonable basis consistent with their interest in the Fund.

### **Common Reporting Standard**

The Australian Government has introduced the OECD Common Reporting Standard which will take effect from 1 July 2017. The Common Reporting Standard like the FATCA regime requires banks and other financial institutions (including the Fund) to collect and report to the ATO financial account information on non-residents which the ATO will exchange with the foreign tax authorities of the non-residents.

We will closely monitor the Common Reporting Standard and its impact on the Funds and its investors.