



Perpetual Portfolio Service Taxation Statement Guide 2011

Overview

Your statement and this guide are designed to assist Australian resident individuals complete their 2010/2011 Australian Income Tax Return. Please note that this guide does not replace TaxPack 2011. You should forward this guide together with your tax statement to your accountant.

The guide covers the tax year from 1 July 2010 to 30 June 2011, or the period your account was open during that year.

The guide and tax statement only reflect details relating to your account. Any transactions outside of this account, which may be relevant for your tax compliance, are not shown.

The tax statement for individual investors includes a summary of the income and expenses attributable to your account. This summary is not available to other taxpayer types as it is primarily provided as a reference to TaxPack 2011.

Australian annuities and superannuation income

From 1 July 2007 there have been changes to the tax treatment of annuities and superannuation income streams that may apply to the payments you have received. The amounts reported only reflect the cash payments received by you from the providers, consolidated into a single line item for each product. If you were over 60 years of age when you received these payments you may not be required to declare this income in your tax return. Attached to your Perpetual tax statements are the documents received from the relevant provider which details the applicable tax treatment for you. In many instances this means that if you are over 60 years of age you will no longer receive a PAYG Payment Summary, but may receive a letter from your provider detailing your new circumstances. Please refer to these documents or consult your tax adviser concerning your personal circumstances.

Dividends and franking credits

The total dividends received from an Australian resident company, together with details of any franking credits attached to the dividends, are shown. Franking credits are passed onto shareholders by companies who have paid Australian tax on their earnings. These franking credits may reduce the tax you pay or may be refunded to you. Franking credits may also be attached to dividends paid by NZ companies who have paid Australian tax. Any dividends and franking credits received from NZ companies are included in the foreign income section of your tax statement. Your entitlement to claim a franking credit may be restricted if you did not hold the shares to which the dividend relates for more than 45 days. However, this rule does not apply where your total franking credits from all income sources for the year do not exceed \$5,000. We have not reviewed your eligibility to claim a credit for the franking credits received. Please consult the TaxPack 2011 or your tax adviser for further information.

Unit Trust Distribution – Summary section

This section of your statement summarises the total components of the income you received from unit trusts and managed funds and is based on the information provided to us by the relevant fund managers. This income is treated on an accruals basis and includes distributions relating to the 2010/2011 tax year which were not received until after 30 June 2011. Similarly, distributions received in July and August 2010 and relating to the previous tax year have not been included. Components regarding foreign income and capital gains for the trust distributions are included in the sections Trust Distributions – Foreign Income Component and Trust Distributions – Distributed Capital Gains Component.

Foreign source income

The foreign source income includes foreign income received from unit trust/managed fund distributions and any foreign dividend income, together with the attached foreign tax credits (foreign income tax offsets).

Capital gains tax details

Your capital gains tax details are displayed in two separate sections, Trust distributions – Distributed Capital Gains Component and Capital Gains and Losses. These should be used together to determine the net capital gain or loss to declare in your tax return.

The first section is called Trust Distributions – Distributed Capital Gains component.

These are the capital gains components of the unit trust/managed fund distributions you received. The discounted gains shown in the report should be doubled to determine the nominal gain before applying any capital losses. The relevant discount applicable to you can then be claimed on any remaining nominal gains. The relevant discount for an individual taxpayer is 50%. The CGT concession amount can be ignored when you are calculating the net capital gain or loss to declare in your tax return. It is likely that the discount gains and the CGT concession amount shown on the report will not be equal. This may be because expenses claimed in the trust reduced the amount of the discount gains paid to the unit holders or the trustee did not distribute some of, or the entire, CGT concession amount to the unit holders. Amounts shown under the heading 'Other Gains' include indexed gains and short gains as declared by the fund managers.

The second section is called Capital Gains and Losses.

These are the capital gain and loss details of any investments that were disposed of on your behalf during the tax year. Capital gains and losses amounts shown as Short Gains are from the disposal of assets held for less than 12 months. Where you have made a

capital gain on an asset held for more than twelve months, the report includes the following details for each lot sold:

- the Frozen Indexed Gain being the amount calculated using the Frozen Indexed Cost Base of the asset
- the Nominal Gain and the related Discounted Gain.

You should be aware that the above information includes amounts using both methods in your tax statement.

Details of both amounts are included because it is your choice, whether you elect to use the frozen indexed gain or the discount gain on a particular disposal.

Indexation is not available on assets acquired after 21 September 1999. If an asset was acquired after 21 September 1999 the report will not show an indexed cost or a frozen indexed gain amount. If the asset was acquired before 21 September 1999 and the sale proceeds are more than the acquisition/reduced cost but less than the indexed cost, the report will show a nil figure in the Frozen Indexed Gains column. You will have the option to elect that no capital gain or loss was made on this disposal when determining your overall net capital gain for the year.

This guide relates only to resident taxpayers and the gains disclosed are those relevant to this class of taxpayer. If you need a further breakdown of the classification of those gains that are relevant for non-resident taxpayers please contact your adviser.

Given the complexity of the legislation, we recommend that you consult your accountant before calculating your net capital gain.

Insurance/friendly society bond redemptions

The taxable earnings from the disposal of any insurance/friendly society bonds are shown separately in your tax statement. You will need to include the taxable earnings in your income tax return. A tax offset, equal to 30% of the taxable earnings included in your tax return may be available to you and will be calculated by the Australian Taxation Office when you lodge your tax return. The amount of the tax offset is not shown on the tax statement.

Total earnings

The detailed section of the tax statement will include the acquisition date, acquisition cost, redemption date and the redemption proceeds recorded on our system at the time of the disposal. This information is used to determine the total earnings. The total earnings are the difference between the redemption proceeds and the acquisition cost.

Taxable Earnings

The taxable earnings will include the following amounts:

- the whole of the total earnings if the redemption is within eight years from the date of acquisition
- two thirds of the total earnings if the redemption is in the ninth year from the date of acquisition
- one third of the total earnings if the redemption is in the tenth year from the date of acquisition.

Tax Paid Earnings

The balance of the total earnings less the taxable earnings is shown as tax paid earnings. Any amounts for redemptions after the tenth year is not taxable and will also be shown as tax paid earnings.

Instalment Warrants

If you hold instalment warrants in your portfolio you will receive a separate tax statement from the third party provider for each of these products. The separate tax statements will be attached to the Perpetual tax statement. Due to the nature of instalment warrants, the income and expense transactions are not included in the Perpetual tax statement and you should refer to the third party tax statements to obtain the amounts to declare in your tax return.

Other receipts

Not all receipts shown on your tax statement are assessable for income tax purposes. Certain items may be required for the purpose of calculating your income tax liability or your entitlement to certain government allowances.

Other expenses

Not all expenses processed through your account are allowable as deductions against your assessable income. Certain items may be shown as they are required for the purpose of calculating your tax liability or your entitlement to certain government allowances. Any cash amounts remitted to you may not be shown on your tax statements. Please refer to your periodic transactions statements for miscellaneous transactions not required to be shown on your tax statement.

Listed Investment Company (LIC) capital gain amounts are not specified on the tax statement. You should seek professional tax advice regarding any entitlement to claim LIC capital gain deductions.

More information

If you have any further questions about your tax statements please call your adviser.

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