

# GUIDE TO YOUR ANNUAL TAX STATEMENT

July 2017

To help you understand your annual tax statement and complete your tax return for the 2016/2017 financial year



## HOW TO USE THIS GUIDE

This guide is designed to help you understand your investment annual tax statement and complete your tax return for the 2016/2017 financial year if you are an Australian resident individual taxpayer.

If you are a part-year resident, a corporate or superannuation entity or a trust investor, Part A of your tax statement will not be applicable to you. We recommend you consult your tax adviser on how to include the information in Part B, if any, and the distribution components outlined in Part C of your tax statement in your tax return.

## ABOUT YOUR TAX STATEMENT

- Your tax statement includes distributions from Perpetual funds relating to the financial year to 30 June 2017. You are required to include these amounts in your tax return for the 2016/2017 financial year even if you actually received the distribution payment after 30 June 2017.
- If your tax statement is for a joint account, it includes 100% of all distributions paid to the joint account, and does not split them between the joint account holders.
- If you have more than one investment account with Perpetual you will receive a separate tax statement for each account.
- Distributions may include realised net capital gains resulting from the sale of investments by a fund.
- Your tax statement does not include any taxable capital gains or losses that may have resulted from your disposal of units in a fund. If you have withdrawn, transferred or switched units during the financial year, you will need to separately calculate the gain or loss from your investment records and include it in your tax return.

- Investors in Perpetual WealthFocus Investment Advantage who have made a withdrawal during the financial year will receive a separate capital gains tax statement. Note that a switch in Perpetual WealthFocus Investment Advantage does not result in the realisation of a capital gain or loss.

## OBTAIN YOUR OWN TAX ADVICE

We recommend you seek professional assistance when completing your tax return. If you have questions about your tax return please consult your tax adviser or the Australian Taxation Office (ATO). Perpetual is not able to provide you with tax advice. If you have any questions about your investment, your tax statement or this guide, please call 1800 022 033 during business hours (Sydney time) or email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)



## COMPLETING YOUR TAX RETURN

The information in this guide is not tax advice. It only relates to your investment in funds offered by Perpetual and is not a complete guide to completing your tax return. You should refer to the 'Individual tax return instructions 2017' (2017 instruction booklet) and the online individual tax return instructions supplement 2017 when completing your tax return for the 2016/2017 financial year. They include detailed instructions on how to complete the 2017 Tax return for individuals and 2017 Tax return for individuals (supplementary section). The 2017 instruction booklet is available from the ATO – download it from the ATO website or call 1300 720 092. The 2017 instruction booklet will refer you to additional information including the supplementary tax return instructions which are available on the ATO website – <https://www.ato.gov.au/Individuals/Tax-return/2017/>

### HOW TO COMPLETE THE 2017 SUPPLEMENTARY SECTION

The following guidelines will help you if you are required to complete the 2017 supplementary section. They do not apply to part-year residents, corporates, superannuation entities or trust investors.

### ABOUT PART A – TAX RETURN INFORMATION

There are four items you may need to complete in the 2017 supplementary section using information shown in your tax statement. The ATO's instructions for each item are included online in the supplementary tax return section – <https://www.ato.gov.au/Individuals/Tax-return/2017/>.

- Item 13 Partnerships and trusts
- Item 18 Capital gains
- Item 20 Foreign source income and foreign assets or property
- Item 24 Other income.

Part A of your tax statement provides a summary of the distribution components from your investment/s with Perpetual that need to be included in your tax return. You can simply copy the amounts from Part A to the corresponding tax return label.

For example, 'Non-Primary Production income' has a Tax Return Label of 13U and should be entered in Item 13 Partnerships and trusts in Label U 'Share of net income from trusts, less capital gains, foreign income and franked distributions'.

Record all summary amounts from Part A of your tax statement in the corresponding tax return label in your 2017 supplementary section. If Part A shows that you have an amount of 'Total current year capital gains', you will also need to print 'X' in the 'Yes' box at Label G of Item 18.

The amount of franking credits you are entitled to will depend on whether or not you have held your units in each fund for more than 45 days. However, if your total franking credits from all sources does not exceed \$5,000, you are entitled to a credit for the full amount received.

The amount of 'Foreign income tax offset' you are entitled to will depend on the amount of foreign tax credits you have received from all sources. If the amount does not exceed \$1,000, you are entitled to a credit for the full amount received. If the amount is more than \$1,000 you can do one of the following:

1. Simply claim a tax offset of \$1,000.
2. Calculate the amount of foreign income tax offset to which you are entitled. To do this you will need a copy of the ATO publication 'Guide to foreign income tax offset rules'. Download from the ATO website <https://www.ato.gov.au/Individuals/Tax-return/2017/> or call 1300 720 092.

If you have more than one investment account with Perpetual or have received any distributions from other sources, you will need to add all relevant amounts together to complete your 2017 supplementary section.

### ABOUT PART B – CAPITAL GAINS ADDITIONAL INFORMATION

The 'Capital gains' section in Part C and this 'Capital gains additional information' section provide details about the various capital gain components distributed to you. This information will assist you if you are required to complete the ATO's CGT schedule or if you have any current year capital losses or net capital losses from prior years that you can offset against any capital gains you have received. See the 'Capital Gains Tax (CGT) schedule' section of this guide, for more information.

You may wish to obtain a copy of the ATO publication 'Personal investors guide to capital gains tax 2017'. The more comprehensive 'Guide to capital gains tax 2017' is also available from the ATO website <https://www.ato.gov.au/Individuals/Tax-return/2017/>

Part B will only be shown on your tax statement if you have received a capital gain distribution component.

### ABOUT PART C

Part C of your tax statement provides a detailed breakdown of the distributions you have received for the financial year, on a fund-by-fund basis. Below is an explanation of each section within Part C.

There may be three amounts listed for each component in Part C. They are the 'Cash distribution', the 'Tax paid/offset' and the 'Taxable income'. The amount of the:

- 'Cash distribution' is the actual dollar amount distributed to you.
- 'Tax paid/offset' is the tax that has already been paid on this amount.
- 'Taxable income' is the sum of the 'Cash distribution' and the 'Tax paid/offset' which is assessable for tax purposes.

## EXAMPLE - ANNUAL TAX STATEMENT



Mrs Joan Smith  
1 Brown Street  
SYDNEY NSW 2000

### Australian Tax Statement

Please retain this statement for income tax purposes.

#### Perpetual WealthFocus Investment Advantage

Client number	123456789
Account number	AC123456789
Issue date	01 July 2017
Reporting period	01 July 2016 - 30 June 2017
Client services	1800 022 033

Account name Joan Smith

#### Part A - Tax return information

Income	Tax Return Reference	Amount
Non-primary production income	13U	\$127.51
Franked distributions from trusts	13C	\$78.82
Franking credits	13Q	\$24.29
Credit for TFN amounts withheld	13R	\$35.20
Total current year capital gains	18H	\$29.54
Net capital gain	18A	\$21.85
Assessable foreign source income	20E	\$91.10
Other net foreign source income	20M	\$91.10
Australian franking credits from a New Zealand company	20F	\$15.60
Foreign tax credits	20O	\$5.26
Fee and commission rebates	24V	\$47.41

#### Part B - Capital gains – additional information for item 18

	Amount
Capital gains - before concession (Discount Method)	\$15.38
Capital gains (Indexation Method)	\$11.33
Capital gains (Other Method)	\$2.83
Total current year capital gains	\$29.54



## ABOUT PART C CONTINUED

### AUSTRALIAN INCOME

The 'Australian income' section includes a breakdown of the Part A 'Non-primary production income' amount.

The components under 'Australian income' are:

- **Dividends (unfranked)** – received from Australian companies that have not paid any Australian tax on their earnings.
- **Dividends – conduit foreign income (CFI)** – unfranked dividends from Australian companies that have declared this amount to be 'conduit foreign income'. These dividends are treated as 'unfranked' dividends by Australian resident investors.
- **Interest** – amounts earned on cash or fixed interest securities held in Australia.
- **Other income** – any other income from Australian sources (excluding capital gains) that is taxable. This includes rental income from direct or indirect property investments.

The sum of all the 'Taxable income' sub totals in the first 'Australian income' section for all your funds is equal to the Part A 'Non-primary production income' amount.

The component under the second 'Australian income' section is:

- **Dividends (franked)** – received from Australian companies that have paid Australian tax on their earnings. The franking credit attached to the dividend reflects the amount of tax that has already been paid by the company issuing the dividend. When a fund receives franked dividends, the franking credits are passed on to investors. The franking credits (shown in the 'Tax paid/offset' column) are assessable. You will be entitled to a franking tax offset equal to the amount of the franking credit included in your assessable income. Franking credits may also be attached to dividends paid by NZ companies who have paid Australian tax. These franking credits are included with franking credits attached to dividends paid by Australian companies in Part C but are shown separately in Part A on your annual tax statement.

The sum of all the 'Taxable income' sub totals in the second 'Australian income' section for all your funds is equal to the Part A 'Franked distributions from trusts' plus the Part A 'Australian franking credits from a New Zealand Company' amounts.

### CAPITAL GAINS

Capital gains have been split between 'TARP' (gains relating to taxable Australian property) and 'NTARP' (relating to non-TARP gains). This split is irrelevant for most Australian resident investors.

The various capital gain components in both TARP and NTARP are:

- **Discounted capital gains** – gains made on the disposal of investments that have been held for at least 12 months. The gain has been reduced by 50% as a result of the CGT concession.
- **Capital gains (indexation method)** – gains made on the disposal of investments acquired before 21 September 1999 where the cost of the investments have been adjusted for inflation up to 30 September 1999.
- **Capital gains (other method)** – gains made on the disposal of investments disposed of within 12 months of acquisition. No adjustment is available for inflation or the 50% discount.
- **CGT concession amount** – the 50% discount on any discount capital gains.
- **Distributed capital gain** – the total of all capital gain components, including the CGT concession.
- **Net capital gain** – the 'Distributed capital gain' excluding any 'CGT concession' amount. The sum of this total for all your funds is equal to the Part A 'Net capital gain' amount.
- **Capital gains – before concession (discount method)**. In Part B, this is equal to the 'Discounted capital gain' amounts in the 'Capital gains' section from all funds multiplied by two.
- **Total current year capital gains**. In Part B, this is the total of capital gains before any CGT concession is applied from all funds, which is equal to the Part A 'Total current year capital gains' amount.

### FOREIGN INCOME

The 'Foreign income' section includes all 'Assessable foreign source income', except for foreign capital gains, which form part of the 'Capital gains' section.

This includes:

- **Interest income** – amounts earned on cash or fixed interest securities held outside Australia.
- **Dividend income** – received from companies resident outside Australia.
- **Other assessable income** – any other income received from investments held outside Australia that is taxable.

The sum of all of the 'Taxable income' sub totals in the 'Foreign income' section for all your funds is equal to the Part A 'Assessable foreign source income' and Part A 'Other net foreign source income' amounts.

### OTHER NON-ASSESSABLE AMOUNTS

'Other non-assessable amounts' includes distribution components that are not subject to income tax on receipt but may give rise to a cost base adjustment for capital gains tax purposes:

- **Tax free amounts** – will reduce the cost base of your units when determining any capital loss on the subsequent disposal of your units.
- **Tax deferred amounts** – will reduce the cost base of your units when determining any capital gain or loss on the subsequent disposal of your units.

### OTHER ITEMS

- **Less TFN amounts withheld** – the tax that has been deducted from your distribution if you have not provided us with your tax file number or Australian business number (ABN).
- **Net cash distribution** – the sum of all distributions you received from the fund.

### COMMISSION AND FEE REBATES

If you received a management fee rebate or an ongoing commission rebate, an additional line will appear on your statement showing the amount you have received for the financial year. These rebates do not form part of your distributions. Where applicable these rebates have been included in this section as they generally constitute assessable income.



## MEMBER ADVICE FEE

If you have paid an ongoing or a one off member advice fee to your financial adviser, the amount will appear on a fund-by-fund basis in Part C of your tax statement below each fund's distribution breakdown. This is because the member advice fee is paid by withdrawing units from the fund and does not impact the distribution you receive.

The deductibility of any member advice fee depends on why the amount was paid. If it was paid for the purpose of drawing up a new investment or financial plan, the amount is not deductible. In contrast, a fee payable for the ongoing management of an investment portfolio, which can include the switching of investments, may be deductible.

Please note that a capital gain or loss may result from the withdrawal of units to pay the member advice fee.

## 2017 TAX RETURN FOR INDIVIDUALS - NET FINANCIAL INVESTMENT LOSS

If you have claimed a deduction in relation to your investment in the Perpetual funds, then you will also need to complete question IT5 in the 2017 Tax Return. See pages 62-63 of the 2017 instruction booklet for the ATO's instructions for this question. Item IT5 'Net Financial Investment Loss' is not used to calculate your taxable income. It may however be used to assess your tax offset entitlement, Medicare levy surcharge and other Government entitlements.

## ADDITIONAL INFORMATION

### REFUND OF EXCESS FRANKING CREDITS

Resident individual investors may be entitled to a refund of any excess franking credits.

If you do not have to lodge a tax return, you may wish to obtain a copy of the ATO publication 'Refund of franking credits instructions and application for individuals 2017' for more information.

### CAPITAL GAINS TAX (CGT) SCHEDULE

The ATO's CGT schedule may need to be completed if you are lodging your tax return electronically.

### DISCOUNTED CAPITAL GAINS ADJUSTMENTS FOR COMPLYING SUPERANNUATION ENTITIES AND COMPANIES

The following information is only relevant for resident superannuation entities and companies. All other information in this guide assumes you are a resident individual taxpayer.

The 'Discounted capital gains' amounts and the 'Net capital gain' amount in the 'Capital gains' section(s) in Part C are after the 50% CGT discount has been applied (available to individuals and trusts). Accordingly, a company or complying superannuation entity should use the aggregated information contained in Part B 'Additional information' of the tax statement to determine their correct capital gains for tax purposes.

## COMPLYING SUPERANNUATION ENTITIES

Complying superannuation entities are entitled to a discount of one third of the total capital gain in relation to discount capital gains.

To calculate the adjusted 'Discounted capital gains' and then the 'Net capital gain':

Step 1. Multiply 'Capital gains - before concession (discount method)' in Part B by 2/3. **The result is your adjusted 'Discounted capital gains'** which is subject to tax.

Step 2. Recalculate the total in Part B using the amount calculated in Step 1. **The result is your adjusted 'Net capital gain' amount.**

## COMPANIES

Companies are not entitled to any CGT discount. The assessable capital gain from your distribution is equal to the 'Total current year capital gains' amount in Part B.

**Please note:** The above information assumes that you do not have any current year capital losses or net capital losses from prior years to offset against the capital gains distributed to you from your investments with Perpetual. For further information please contact your tax adviser or the ATO.

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## MORE INFORMATION

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