

AustChoice Investment Service

Tax guide 2014

This guide has been prepared to help individual Australian resident taxpayers complete their 2014 tax return.

To complete your tax return you will need the following:

- a copy of the AustChoice Investment Service (**AustChoice**) 'Consolidated taxation statement for the financial year ended 30 June 2014' (**taxation statement**)
- a copy of the 'Capital Gains tax statement for 30 June 2014' (**CGT statement**), where applicable
- copies of schedules from the Australian Taxation Office (**ATO**):
 - 'Tax return for individuals 2014'
 - 'Tax return for individual (supplementary section) 2014'
 - 'Individual tax return instructions 2014'
 - 'Individual tax return instructions supplement 2014'
 - 'Guide to capital gains tax 2014' if you have capital gains amounts
 - 'You and your shares 2014' if you received franking credits as part of your distribution.

If you have received income from other investments held outside AustChoice, you will need to combine the information from those investments with the information we have provided.

Important information

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Your tax return and your statements

In your tax return, you must declare income that you were entitled to during the period 1 July 2013 to 30 June 2014 (**the financial year**). This may not coincide with the actual cash distribution you have received during the same period.

Your 'Tax Statement for the 2013/2014 financial year' includes the following statements and where applicable, you need to refer to them to complete your 2014 tax return.

- 1 The consolidated taxation statement summarises all of the income entitlements on the investments held in AustChoice, the deductible amount of expenses paid from AustChoice as well as any relevant amounts of tax paid and tax offsets for the financial year.
- 2 The capital gains tax statement details all capital gains/losses on the disposal of investments held in AustChoice during the financial year. You will only receive this statement if you have disposed of investments.

All items required to complete your tax return are detailed in 'Part A: Summary of Tax Return' of the taxation statement.

To determine the total current year capital gains and the net capital gain amounts which you are required to disclose in your tax return, you must combine the capital gains items detailed in 'Part A: Summary of Tax Returns' with the relevant amounts from the 'Capital gains tax statement 30 June 2014.'

Understanding the components of your consolidated taxation statement

Part A – Summary of tax return

This section of your taxation statement highlights the major components of your distribution. If you have straightforward circumstances, this information should help you complete your tax return.

The tax return label reference in Part A relates to the 'Individual tax return 2014' and 'Tax return for individual (supplementary section) 2014'.

The amounts shown in Part A of your taxation statement should be included in your tax return against the corresponding tax return labels shown on your taxation statement.

A breakdown of the distribution components is shown in Part C of your taxation statement.

1. Label 10L – Gross Interest

This item represents the total interest income that has been paid or credited to your account from direct investments.

2. Label 10M – Tax file number amounts withheld from gross interest

This item represents the amount of tax withheld on your gross interest from direct investments if you did not supply your TFN.

3. Label 11S – Unfranked amount

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

4. Label 11T – Franked amount

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

5. Label 11U – Franking credit

This item represents 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'. For further information on the holding period rule, you should consult the ATO publication 'You and your shares 2014'.

6. Label D8 – Dividend deductions

This item represents all expenses incurred in respect of deriving dividend income. It is included if you received a listed investment company (**LIC**) capital gain amount in respect of LIC dividends received during the financial year. Where an LIC pays a dividend that includes an LIC capital gain, you may be entitled to an income tax deduction. This amount is detailed in Part D of your taxation statement.

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

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

8. Label 13C – Franked distributions from trusts

This item includes franked dividends and franking credits that have been paid or credited to your account from your investment in Australian unit trusts.

9. Label 13Y – Other deductions relating to distributions

This item is the tax deductible expenses charged to your account in the income tax 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, these should also be disclosed at this label.

10. Label 13Q – Share of Franking credit from franked dividends

This item includes your share of franking credits (including cents) attached to the franked dividends from trusts. Franking credits are Australian tax offsets that are attached to franked dividends from trust distributions you received. Your entitlement to claim franking credits as a tax offset against your Australian tax liability is subject to you satisfying the 'holding period rule'.

For further information on the holding period rule, you should consult the ATO publication 'You and your shares 2014'.

11. Label 13R – Credit for tax file number (TFN) amounts withheld from interest, dividends and unit trust distributions

This item represents the amount of tax withheld from income (interest, dividends, and unit trust distributions paid or payable) received by the trust and/or AustChoice if you did not supply your TFN.

12. Label 13A – Share of credit for amounts withheld from foreign resident withholding

This item includes amounts withheld from some payments to specific recipients due to the operation of the foreign resident withholding regime. Like other tax credits, the credits for foreign resident amounts withheld may be offset against your Australian tax liability on taxable income.

13. Label 18H – Total current year capital gains

This item is the total amount of capital gains before any capital gains tax (CGT) discount has been applied. This amount also includes foreign capital gains.

14. Label 18A – Net capital gain

This item is the net capital gain distributed to you. The items making up this amount are detailed in Part B of your taxation statement.

Capital gains or losses derived from other sources also need to be taken into account when completing this label. If capital losses are to be applied to a discount capital gain, you should offset these losses against the gross capital gains first before applying the CGT discount. The discount rate that has applied to your discount gains can be found in the section 'Capital Gains information' below, with reference to your investor type on your taxation statement.

Please refer to the ATO publication 'Guide to capital gains tax 2014' for further information.

15. Label 19K – Foreign entities - CFC income

This item applies to income and gains of foreign companies for which you had a direct or indirect controlling interest.

For more information on CFC measures, please refer to the ATO publication 'Foreign income return form guide 2014'.

16. Label 20E – Assessable foreign source income

This item is income from your overseas investments. It comprises of assessable foreign dividends, foreign interest and all other assessable foreign income (including foreign tax withheld on income not already shown on your tax return) for which you are liable to pay Australian income tax.

It excludes foreign net capital gains (which are to be included at label 18).

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

For further information, you should refer to the instructions in the 'Individual tax return instructions supplement 2014'.

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

This item is the franking credits arising from tax paid in Australia by New Zealand franking companies. The dividends, net of the Australian franking credits from New Zealand franking companies, are included as part of your foreign source income (per label 20E above).

To check your eligibility to claim these Australian franking credits, please refer to the ATO publication 'You and your Shares 2014'.

18. 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 foreign deductions is to be subtracted from your assessable foreign sourced income (shown at label 20E) to arrive at your other net foreign source income.

If you have no foreign income deductions, then the amount at label 20M is the same as label 20E.

For further information, please refer to the instructions in the 'Individual tax return instructions supplement 2014'.

19. Label 200 – Foreign income tax offset

This item is your total foreign income tax offset (including cents). The amount of the foreign income tax offset represents the amount of foreign income tax withheld by foreign investment companies, in their own country, on income received.

If your foreign income tax offset from all sources for the 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 the ATO publication 'Guide to foreign income tax offsets' to work out your entitlement.

Part B – Capital gains tax information Amount

This section of your taxation statement gives you a detailed breakdown of capital gains that you received from trust distributions.

CGT concession and tax deferred amounts may not need to be included in your tax return. However, these components may affect either the cost base or reduced cost base of your investment and in some cases may be required to be included in your tax return.

For further information regarding the treatment of these amounts you should refer to the ATO publication 'Guide to capital gains tax 2014'.

Part C – Income components

This section of your taxation statement gives you a detailed breakdown of your distribution income components and capital gain/loss on the sale of your holdings relating to distributions. Information pertaining to the other deductions relating to distributions is provided above at item 9 and is not covered any further in this guide. The additional information in Part C of your taxation statement may be required to complete your tax return.

Capital gains information

To determine the total current year capital gains and net capital gain amounts which you are required to disclose in your tax return, you need to combine the capital gains items detailed in the taxation statement with the relevant amounts from the CGT statement.

For general information on capital gains, you may need to refer to the ATO publication 'Guide to capital gains tax 2014'.

The following table summarises the types of capital gains details in both the taxation and CGT statements.

Capital gain/(loss) calculation method	Relevant section of your statement	Description
Other capital gain	Nominal gain/(loss)	These gains relate to assets held for less than 12 months which were not eligible to apply the indexation method. The entire amount of the gain is taxable.
Discounted capital gain	Nominal gain/(loss)	These are capital gains that relate to assets that have been held for longer than 12 months and, accordingly, are eligible for the CGT discount. This amount represents the grossed up nominal gain or loss you have made on the redemptions of investments held for greater than 12 months. The entire amount of the gain has been distributed to you. Nominal gains are eligible for the discount method after the application of any current or carried forward capital losses. For an individual, the appropriate discount factor to apply is 50 per cent. For other CGT discount rates, please see the Understanding the components of your CGT Statement section of this guide below.
Indexed capital gain	Frozen Indexed Gain	These are capital gains that are eligible to apply the indexation method. The capital gains amount shown here has been indexed accordingly.
TARP and NTARP		<p>For Australian resident investors, the split between Taxable Australian Real Property (TARP) and non-TARP (NTARP) capital gains can be disregarded for the purposes of completing your tax return.</p> <p>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 NTARP. We suggest that you seek professional taxation advice regarding the application of the CGT regime to your own individual circumstances.</p>

Understanding the components of your CGT Statement

For each investment sale recorded on the CGT statement, it is possible to have an amount in either column L (Losses), column A (Other capital gains) or both column B (Discounted capital gain) and C (Indexed capital gain). Where an amount appears in either column L or A, this is the amount that must be used in respect of that particular investment sale in determining your overall capital gains position. Where an amount appears in both columns B and C you will need to make a choice as to which amount you select, depending upon your individual circumstances.

Once an amount has been selected in respect of each investment sale, you need to add these amounts along with the total current year capital gains from trust distributions (taken from your taxation statement) and any other capital gains you have made during the year other than AustChoice. This amount needs to be disclosed at tax return label 18H.

You then need to determine the net capital gain. If you have selected any amounts from column B and have no capital losses, you need to apply the appropriate discount rate to these amounts in determining your net capital gain. Where you have a capital loss (either from the current year or prior years), these need to be applied first before discounting any capital gains. The net capital gain from all sources needs to be disclosed at tax return label 18A.

Note: If you have any prior or current year capital losses, we recommend that you seek professional taxation advice as to how you apply them.

Assumptions

In calculating the net capital gain or loss on your redemption of investments, we have made the following assumptions:

- The first parcel of investments you redeemed was all or part of the first parcel of investments purchased. This is referred to as the 'first in, first out' method.
- The application for your initial investment was made with cash or a cash equivalent.
- The CGT provisions apply to you.
- You have a 30 June financial year end for Australian income tax purposes.

If any of these assumptions do not apply to your investment, then the calculation of the net capital gain or loss on the redemption of your investments disclosed on the CGT statement may not be appropriate. Again, you should seek professional taxation advice.

CGT discount rates

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

Entity	Discount rate %
Company	0.00
Individual	50.00
Partnership	50.00
Superannuation fund	33.33
Trust	50.00

