Tax Guide – June 2018

Macquarie Wrap

MACQUARIE INVESTMENT MANAGER
MACQUARIE INVESTMENT CONSOLIDATOR
MACQUARIE INVESTMENT ACCUMULATOR

Contents

1 General information

This Tax Guide provides investors with the tax policies, information and assumptions relied upon to prepare the Tax Report – Summary ('*Summary Report*') and the Tax Report – Detailed ('*Detailed Report*').

This Guide will assist investors with the preparation of their income tax return for the year ended 30 June 2018.

This is not intended to provide taxation advice. Investors must make their own determination as to whether the tax treatment outlined in this document is appropriate for their specific circumstances.

References to 'we', 'us', 'our' or 'the service' throughout this document are references to Macquarie.

Third party access

Clients can grant their accountant, self-managed superannuation fund (SMSF) administrator or other financial representative secure, view-only access to their account reporting, normally only visible to their adviser.

Our dedicated tax website contains detailed information on tax reporting including:

- tax technical concepts explained in more detail
- details on specific Corporate Actions that arose during the tax year
- useful links to key areas on the Australian Taxation Office (ATO) website.

View our website **macquarie.com.au/wraptax**

Useful resources

Individual	**ATO tax return**	ato.gov.au/forms/tax-return-for-individuals-2018/
	Instructions	ato.gov.au/Individuals/Tax-return/2018/
Trust	**ATO tax return**	ato.gov.au/forms/trust-tax-return-2018/
	Instructions	ato.gov.au/Forms/Trust-tax-return-instructions-2018/
Company	**ATO tax return**	ato.gov.au/forms/company-tax-return-2018/
	Instructions	ato.gov.au/Forms/Company-tax-return-instructions-2018/
Fund	**ATO tax return**	ato.gov.au/forms/self-managed-superannuation-fund-annual-return-2018/
	Instructions	ato.gov.au/Forms/Self-managed-superannuation-fund-annual-return-instructions-2018/

2 Tax Reports: policies and general assumptions

2.1 Summary Report

The *Summary Report* provides investors with an outline of their account's taxable position for the current tax year. It provides:

- consolidated tax information required to complete an income tax return
- references to ATO tax return labels for individuals, trusts and SMSFs
- references to the *Detailed Report*, a transaction by transaction outline of the amounts disclosed in the *Summary Report*.

2.2 Detailed Report

The *Detailed Report* provides investors with a detailed breakdown, on a distribution basis, of income derived in the account for the current tax year. It also contains information on any asset disposals and any expenses incurred throughout the tax year.

The *Detailed Report* sections relevant for **Investment Accumulator** clients include:

- Fixed Interest and Cash Investments (C)
- Managed Funds (T)
- Other Income (O)
- Disposal of Capital Items (R)
- Excess Assessable Gains (X)
- Denied Franking Credits (DF)
- Fees and Expenses (F).

The *Detailed Report* sections relevant for **Investment Manager/Consolidator** clients include:

- Fixed Interest and Cash Investments (C)
- Managed Investments and Listed Trusts (T)
- Listed and Unlisted Securities (S)
- Other Income (O)
- Disposal of Capital Items (R)
- Excess Assessable Gains (X)
- Denied Franking Credits (DF)
- Fees and Expenses (F).

The *Detailed Report* will always disclose the *Fixed Interest and Cash Investments (C) and Fees and Expenses (F)* sections, but will only show those other sections of the report relevant to the account for the current tax year.

Additional information provided at the end of the Tax Report contains the key assumptions explained in this guide.

2.3 Assumptions

We rely on the general assumptions below.

- All income received by investors held within the service has been treated in accordance with Australian taxation laws, ATO rulings, guidelines and practices that were applicable as at 30 June 2018.
- All investors are residents of Australia for tax purposes, unless otherwise stated.
- We report all information as provided by share registries and product issuers and do not make any comment as to the accuracy or treatment of this information. Further, we have not made any determinations as to whether any trust or fund is a fixed trust. As a result, the flow through of any franking credits has not been prevented.
- We disclose all information on the Tax Report as if the investor is the beneficial owner of the assets. We assume that joint account investors hold equal interests in all assets in their account.
- We have not considered the application of the Taxation of Financial Arrangements (TOFA) regime to an investor's account. This is on the assumption that one of the exclusion criteria has been met and investors have not elected for the regime to apply to their account. Where a security is a 'qualifying security' for tax purposes, we only report assessable income represented by a cash amount. Therefore, no accrual calculation will be undertaken in respect of qualifying securities.
- All assets in an account within the service are held on capital account.
- For non-resident investors, the 50% capital gains tax (CGT) concession has been removed on capital gains accrued after 8 May 2012. Non-resident investors may need to determine their CGT position taking this into account.
- The *Summary Report* provides tax return label disclosures for individuals, trusts and SMSFs. However, additional references to tax return labels made in this document relate only to those for individual taxpayers.

For all of the above assumptions and any other disclosures made throughout this document, we recommend investors seek independent taxation advice to determine the most appropriate treatment for their circumstances.

3 Income

3.1 Fixed interest and cash investments (C)

Interest income reported includes distributions and payments from:

- Macquarie Consolidator Cash Account (CCA)
- Macquarie Cash Management Account (CMA)
- term deposits
- interest refunds from margin loans
- interest from convertible notes
- interest from domestic fixed interest securities
- cash hub rebates.

3.1.1 Completing an income tax return

	Franking Credit Distributed ($)	Franking Credit Denied ($)	Tax Return Amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.
Income							
Gross Interest							
Interest received - Cash			12,331.90				C3
Interest received - Listed equities			-				
Total Gross Interest			**12,331.90**	**10L**	**11J**	**11C**	

a) The *Summary Report* outlines assessable interest income derived in the *Total Gross Interest* section.

b) Add any interest received from bank accounts, convertible notes and other assets held outside the service.

c) Do not include any interest received from managed investments and listed trusts. This will need to be included as 'Partnership and Trust' income on the tax return.

d) Include the total of Australian assessable interest income at **Item 10 Label L** on the tax return.

e) If an investor has not provided their tax file number (TFN), Australian business number (ABN) or an exemption reason, tax will be withheld from the distribution during the tax year. Include the total of any no-TFN amounts withheld at **Item 10 Label M** of the tax return. Do not include any withholding amounts which have subsequently been refunded.

3.1.2 Reconciling to the Detailed Report

INCOME

Fixed Interest & Cash Investments (C)

			Australian Sourced Income		Tax Deducted		Foreign Income	Tax Offsets
Security	**Date paid**	**Net (cash) amount**	**Interest**	**Other**	**TFN WHT**	**Non-resident**	**Foreign income**	**Foreign income tax offset**
References	*C1*	*C2*	*C3*	*C4*	*C5*	*C6*	*C7*	*C8*
Direct cash								
Cash account - 000XXXXXX	31-Jul-17	932.62	932.62					
Cash account - 000XXXXXX	31-Aug-17	857.50	857.50					
Cash account - 000XXXXXX	29-Sep-17	879.46	879.46					
Cash account - 000XXXXXX	31-Oct-17	975.98	975.98					
Cash account - 000XXXXXX	30-Nov-17	481.68	481.68					
Cash account - 000XXXXXX	29-Dec-17	326.39	326.39					
Cash account - 000XXXXXX	31-Jan-18	385.29	385.29					
Cash account - 000XXXXXX	28-Feb-18	400.75	400.75					
Cash account - 000XXXXXX	29-Mar-18	496.05	496.05					
Cash account - 000XXXXXX	30-Apr-18	1,884.74	1,884.74					
Cash account - 000XXXXXX	31-May-18	2,430.54	2,430.54					
Cash account - 000XXXXXX	29-Jun-18	2,280.90	2,280.90					
Term deposit								
NAB TD 03mth (NAB03MTHZ)	25-Sep-17	1,251.56		1,251.56				
Total		**13,583.46**	**12,331.90**	**1,251.56**				

To view interest derived on a transaction by transaction basis, refer to Column C3 of the *Fixed Interest and Cash Investments* section and Column S5 of the *Listed and Unlisted Securities* section of the *Detailed Report*.

3.1.3 Interest received

Any amount paid in respect of the CMA/CCA is included as assessable income on the payment date.

An amount reported in respect of a term deposit (including rolled term deposits) is generally the gross amount of interest derived (inclusive of any non-resident withholding tax or no-TFN amounts withheld).

The amount of any tax withheld where a TFN, ABN or exemption reason has not been provided or, where the investor is a non-resident, is also separately disclosed in the *Detailed Report*.

Where a term deposit has been terminated early, assessable income reported includes interest derived, net of any break costs incurred as a result of terminating the term deposit early.

Interest refunds on margin loans are included as assessable income on the payment date, which is provided by the margin lender. If this does not reconcile with information received from the margin lender, please contact the margin lender directly.

3.2 Managed investments and listed trusts (T)

Income from managed investment and listed trusts may include distributions of:

- interest
- dividends
- capital gains
- foreign income
- other income
- franking credits (including Trans-Tasman imputation credits)
- exploration credits
- foreign income tax offsets
- non-assessable amounts (such as tax free and tax deferred/return of capital amounts)
- expenses paid
- amounts reinvested through a dividend reinvestment plan (DRP)
- interest distributions from a Macquarie Wrap Solutions Cash Account.

3.2.1 Completing an income tax return

	Franking Credit Distributed ($)	Franking Credit Denied ($)	Tax Return Amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.[1]
Income							
Trust Distributions							
Trust distributions less distributed net capital gains, foreign & franked income			136.69	**13U**	**8R**		T3;T5;T6;T7
Franked income grossed up			181.84	**13C**	**8F**		T2;T20
Gross Trust Distributions			**318.53**			**11M**	
Share of franking credits from franked dividends	64.39	-	64.39	**13Q**	**8D**		T20
Other Credits							
Australian franking credits from a NZ company			121.00	**20F**	**23D**	**11E**	T30
Exploration Credits			121.00	**T11**	**51G**	**E4**	T21

a) The *Summary Report* outlines assessable income distributed from managed investments and listed trusts in the *Trust Distributions* and *Gross Trust Distributions* sections.

b) Add any income or available franking credits received from managed investments and listed trusts held outside the service.

c) Report assessable trust distribution income (this includes trust distributions less distributed net capital gains, foreign and franked income) at **Item 13 Label U** of the tax return as non-primary production income.

d) Report franked income grossed up at **Item 13 Label C** of the tax return. This includes franked dividends along with any attached franking credits.

e) Report any available franking credits received from managed investments and listed trusts held both within and outside the service at **Item 13 Label Q** of the tax return.

f) Report any Australian franking credits from a New Zealand franking company which have been distributed from managed investments and listed trusts held both within and outside the service at **Item 20 Label F** of the tax return.

g) Include any exploration credits received from managed investments and listed trusts held both within and outside the service at **Label T11** of the tax return.

h) Include the total of any no-TFN amounts withheld at **Item 13 Label R** of the tax return.

3.2.2 Reconciling to the Detailed Report

To view the amounts of trust distribution income derived on a transaction by transaction basis, refer to the *Managed Investments and Listed Trusts* section of the *Detailed Report*. The following columns outline:

- franked dividends (T2)
- unfranked dividends (T3)
- conduit foreign income (T4)
- interest (T5)
- interest exempt from withholding tax (WHT) (T6)
- other (T7)
- non-assessable non-exempt (T11)
- franking credits (FC) (T20)
- exploration credits (T21)
- Australian FC from a New Zealand franking company (T30)
- for Investment Accumulator clients, distributions from a Macquarie Wrap Solutions Cash Account (C4).

INCOME

Managed Investments & Listed Trusts (T)

			Australian Sourced Income									
									Non-Assessable Amounts			
Security	**Date declared/ paid**	**Net (cash) amount**	**Franked dividends**	**Unfranked dividends**	**Conduit foreign income**	**Interest**	**Interest exempt from WHT**	**Other**	**Tax free**	**Tax exempt**	**Tax deferred/ Return of capital**	**Non-assessable non-exempt**
References		*T1*	*T2*	*T3*	*T4*	*T5*	*T6*	*T7*	*T8*	*T9*	*T10*	*T11*
Managed fund												
Ventura W/S Aust Shares Fund (RIM0021AU)	21-Oct-17	397.75	117.45	12.96		1.00	121.00	1.73				121.00
Total		**397.75**	**117.45**	**12.96**		**1.00**	**121.00**	**1.73**				**121.00**

INCOME

Managed Investments & Listed Trusts (T)

	Australian Sourced Income					Expenses	Tax Deducted		Tax Offset	
	Distributed Australian Capital Gains									
Security	**Gross discount amount[a]**	**Discounted amount[b]**	**Concession amount**	**Indexed amount**	**Other amount**	**Expenses paid**	**TFN WHT**	**Non-resident WHT**	**Franking credits (FC)**	**Exploration credits**
References	*T12*	*T13*	*T14*	*T15*	*T16*	*T17*	*T18*	*T19*	*T20*	*T21*
Managed fund										
Ventura W/S Aust Shares Fund (RIM0021AU)	228.10	114.05	113.74		34.90				64.39	121.00
Total	**228.10**	**114.05**	**113.74**		**34.90**				**64.39**	**121.00**

INCOME

Managed Investments & Listed Trusts (T)

	Foreign Income							Tax Offset		AMIT
			Distributed Foreign Capital Gains							
Security	**Foreign income**	**Foreign - CFC**	**Gross discount amount[d]**	**Discounted amount[c]**	**Concession amount**	**Indexed**	**Other**	**Foreign income tax offset**	**Aust FC from NZ**	**AMIT - Adjustment[f]**
References	*T22*	*T23*	*T24*	*T25*	*T26*	*T27*	*T28*	*T29*	*T30*	*T31*
Managed fund										
Ventura W/S Aust Shares Fund (RIM0021AU)								0.18	121.00	121.00
Total								**0.18**	**121.00**	**121.00**

3.2.3 Trust distributions received

Income from managed investments and listed trusts is included as assessable income on an accruals (present entitlement) basis.

The Net Cash Distribution received has been grossed up to include any non-resident withholding tax or no-TFN amounts withheld.

3.2.4 Exploration credits

Under the Exploration Development Incentive (EDI) program, eligible exploration companies can create exploration credits and distribute these credits to shareholders.

Investors who receive exploration credits, either directly from an exploration company or indirectly from a trust, may be entitled to a tax offset for that amount if they were an Australian resident for the whole of the income year.

3.2.5 Distributed capital gains

Any capital gains distributed are disclosed in the *Detailed Report* on a distribution by distribution basis. For distributions of discounted capital gains, the capital gain is doubled and reported as a gross discounted capital gain. The *Summary Report* undertakes a net CGT calculation, which is limited by the assumptions outlined in section 4.

These amounts can determine an investor's partial CGT position, which is to be disclosed in the income tax return at the capital gains item. These amounts are not to be included in the trust distribution section of the tax return. This is consistent with ATO guidelines (available on the ATO website).

3.2.6 Tax free and tax deferred/return of capital distribution amounts

These components require adjustments to the cost base and/or reduced cost base (as relevant) of the asset. Any such adjustments have been made at the accrual date of the distribution.

3.2.7 CGT concession amount

The CGT concession amount relates to the non-assessable CGT discount component distributed to investors by managed funds and listed trusts. Such amounts arise from the sale of assets held for at least 12 months. Investors are not required to adjust the cost base of their units for such amounts paid on or after 1 July 2001.

The *Detailed Report* separately discloses any CGT concession amounts, as reported by the product issuer. However, as this amount is non-assessable, it is not included in the calculation of an investor's net capital gain and, therefore, will not be disclosed in the *Summary Report*.

3.2.8 Australian franking credits from a New Zealand company

The Trans-Tasman Imputation system allows New Zealand (NZ) resident companies to attach Australian franking credits to any dividends they may pay. These are disclosed in the *Summary Report* as 'Australian franking credits from a NZ company'.

Where a NZ resident company pays a distribution that includes both Australian franking credits as well as NZ imputation credits, Australian resident shareholders who receive such a distribution can only utilise the Australian franking credits attaching to the distribution.

3.2.9 AMIT adjustment amount

From 1 July 2015, certain managed investment trusts may elect to be an Attribution Managed Investment Trust (AMIT).

Managed funds that elect into the AMIT regime attribute tax components to underlying investors. When distributing components to investors, the cash distributed may not equate to the attributed distributions for tax purposes. The components in the *Summary Report* and *Detailed Report* have been allocated based on information provided by the fund manager. These components may require adjustments to the cost base and/or reduced cost base (as relevant) of the asset.

The *Detailed Report* provides an AMIT adjustment column. The column allows investors to reconcile cash received from AMITs to the distribution components they were attributed by the fund. Note, it does not form part of the *Summary Report*, as the AMIT adjustment amount is not required to be disclosed in the investor's tax return.

3.3 Listed and unlisted securities (S)

Income from listed and unlisted securities may include:

- franked dividends
- unfranked dividends
- conduit foreign income
- interest income
- return of capital distributions
- foreign income
- franking credits (including Trans-Tasman imputation credits)
- foreign income tax offsets
- exploration credits
- expenses paid
- amounts reinvested through a DRP.

	Franking Credit Distributed ($)	Franking Credit Denied ($)	Tax Return Amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.
Income							
Dividends *(received from equity investments)*							
Unfranked amount (including Conduit Foreign Income)			8,473.76	**11S**	**12K**	**11J**	S4
Franked amount			15,736.96	**11T**	**12L**	**11K**	S2
Franking credit	6,744.40	-	6,744.40	**11U**	**12M**	**11L**	S16

3.3.1 Completing an income tax return: franked dividends and franking credits

Assessable income includes franked dividends plus any franking credits received in respect of direct equities held.

a) For Investment Manager and Investment Consolidator clients, assessable franked dividend income is outlined in the *Franked amount* and the *Franking credit* sections of the *Summary Report*.

b) The *Listed and Unlisted Securities* section is not applicable to Investment Accumulator clients.

c) Report the total amount of assessable franked dividends received from direct equities held both within and outside the service at **Item 11 Label T** of the tax return.

d) Report the total of any available franking credits received from direct equities held both within and outside the service at **Item 11 Label U** of the tax return.

e) Include the total of any no-TFN amounts withheld at **Item 11 Label V** of the tax return.

3.3.2 Completing an income tax return: unfranked dividends

Assessable unfranked dividend income includes any unfranked dividends received in respect of direct equities held.

a) For Investment Manager and Investment Consolidator clients, unfranked dividend income is outlined in the *Unfranked amount (including Conduit Foreign Income)* section of the *Summary Report*.

b) The *Listed and Unlisted Securities* section is not applicable to Investment Accumulator clients.

c) Add any unfranked dividends received from direct equities held outside the service.

d) Report the total amount of assessable unfranked dividends received from direct equities held both within and outside the service at **Item 11 Label S** of the tax return.

e) Include the total of any no-TFN amounts withheld at **Item 11 Label V** of the tax return.

3.3.3 Reconciling to the Detailed Report

To view the dividends derived on a transaction by transaction basis, refer to Columns S2 through to S15 on the *Listed and Unlisted Securities* section of the *Detailed Report*.

INCOME

Listed & Unlisted Securities (S)

			Australian Sourced Income						Tax Deducted	
Security	**Date paid**	**Net (cash) amount**	**Franked dividends**	**Unfranked dividends**	**Conduit foreign income**	**Interest**	**Interest exempt from WHT**	**Other**	**TFN WHT**	**Non-resident WHT**
References		*S1*	*S2*	*S3*	*S4*	*S5*	*S6*	*S7*	*S8*	*S9*
Australian listed security										
Pact Group Holdings Ltd (PGH)	05-Oct-17	12,105.36	7,868.48		4,236.88					
Pact Group Holdings Ltd (PGH)	05-Apr-18	12,105.36	7,868.48		4,236.88					
Total		**24,210.72**	**15,736.96**		**8,473.76**					

To view the franking credits received on a transaction by transaction basis, refer to Column S16.

INCOME

Listed & Unlisted Securities (S)

	Non-Assessable Amounts				Foreign Income		Tax Offset				Expenses
Security	**Tax free**	**Tax exempt**	**Tax deferred/ Return of capital**	**Non-assessable non-exempt**	**Foreign income**	**Foreign - CFC**	**Franking credits (FC)**	**Foreign income tax offset**	**Exploration credits**	**Aust FC from NZ**	**Expenses paid**
References	*S10*	*S11*	*S12*	*S13*	*S14*	*S15*	*S16*	*S17*	*S18*	*S19*	*S20*
Australian listed security											
Pact Group Holdings Ltd (PGH)							3,372.20				
Pact Group Holdings Ltd (PGH)							3,372.20				
Total							**6,744.40**				

3.3.4 Dividends received

Income from listed and unlisted securities is included as assessable income in the Tax Report when:

- franked, unfranked and conduit foreign income is paid or credited
- foreign income is paid or credited
- interest income from convertible notes is paid
- on payment date, when shares are acquired via amounts reinvested through a DRP.

The Net (cash) amount received has been grossed up to include any no-TFN amounts withheld or non-resident withholding tax deducted.

3.3.5 Listed investment companies (LICs)

Where an investor is a resident and receives a dividend from a LIC, to the extent that the dividend is franked, the franking credits attached to that franked dividend should be included in assessable income on a paid or credited basis.

Resident investors may be entitled to a tax offset equal to the amount of the franking credits attached to the dividend received. Where the dividend received is unfranked, that amount is the only amount which is included in assessable income.

Where applicable, the amount of the allowable deduction associated with the attributable part of a LIC distribution will be reported under the expenses paid column of the *Detailed Report*, and under ‘Other’ in the expenses section of the *Summary Report*. For investors other than an individual or trust, the amount of the expense will vary depending upon the specific circumstances.

Where an attributable part has been disclosed by the product issuer, investors may be able to obtain a copy of the relevant dividend statement from us. We will advise at the time of request whether this information is available.

3.4 Denied franking credits (DF)

The amount of franking credits denied has been disclosed in the *Summary Report* and in the *Denied Franking Credits (DF)* section of the *Detailed Report*.

DENIED FRANKING CREDITS (DF)

Listed Securities			
Security name		**Ex-date**	**Denied franking credits**
	References		
ANZ Convertible Preference Shares CPS3 (ANZPC)		16-Aug-17	3,236.22
ANZ Convertible Preference Shares CPS3 (ANZPC)		19-Sep-17	465.48
Sub Total	*DF2*		**3,701.70**
Grand Total			**3,701.70**

3.4.1 The 45 Day Rule

Franking credits can be denied if certain holding requirements are not met. In this regard, we have applied the '45 Day Rule', which is an anti-avoidance tax rule that operates to deny certain franking credits. However, the $5,000 de-minimis rule (the small investor exemption) has not been applied.

We have undertaken broad based calculations to arrive at the amount of denied franking credits disclosed in the *Detailed Report*, having regard to the assumptions stated below and the limited information regarding investor's personal circumstances:

- no consideration has been given to positions that may reduce the overall exposure to an underlying security by more than 30% for a particular distribution or share buy-back
- all assets are held at risk
- there are no related payments
- all buys and sells between the dividend declaration date and the ex-dividend date are cum dividend
- for preference shares, the 90 day rule has been applied, taking into consideration all buy and sell transactions up to 15 August 2018 only.

In calculating the amount of denied franking credits, we have not applied the 45 day rule in relation to Australian franking credits which have been distributed from New Zealand franking companies. We recommend that investors who hold an interest in such companies, whether through a direct investment in such companies or indirectly through a trust, consider their specific circumstances when applying the 45 day rule in respect of these investments.

The amount of franking credits denied has been disclosed in the *Summary Report* and in the *Denied Franking Credits (DF)* section of the *Detailed Report*. This has been separately disclosed for listed and unlisted securities and managed investments and listed trusts.

Investors holding a unit in an AMIT may be a deemed qualified person in relation to franking credits flowing through the AMIT to the investor. Therefore, generally, 45 day rule testing may not be required to be performed in relation to the units in the AMIT held by the investor. However, we note that the Commissioner of Taxation does have the power to override this deemed qualification in certain circumstances. We recommend investors consider their own specific circumstances when applying the 45 day rule in respect of their investments in AMITs.

The *Summary Report* provides investors with an indication of franking credits denied only in respect of investments held within the account. We note that investors have been provided with a transaction by transaction outline in the *Detailed Report* to assist them in applying the 45 day rule to their own specific circumstances.

3.4.2 Dividend washing

From 1 July 2013, a specific integrity rule was enacted that denies the benefit of additional franking credits where dividends are received as a result of 'dividend washing'. Dividend washing occurs where investors seek to claim two sets of franking credits on what is effectively the same parcel of shares.

We have used our best endeavours to undertake calculations to arrive at the amount of denied franking credits disclosed as a result of dividend washing, having regard to the assumptions stated below:

- assets affected are Australian Securities Exchange (ASX) listed ordinary shares
- the company has declared a franked dividend (ie a dividend with an entitlement to an attached franking credit)
- shares are sold without an entitlement to the dividend (ex div), on or between ex-date and ex-date + 3 days or +2 days (where applicable)
- new shares are bought with an entitlement to the dividend (cum div), on or after the sale date up to and including ex-date + 3 days or +2 days (where applicable)
- where a differing number of shares are bought (than the number of shares sold), the calculation will deny the franking credit entitlement on the lesser of the shares sold and shares bought.

3.5 Other income (O)

Other income includes any gains or losses made on the disposal of traditional securities (eg debt securities and certain convertible notes) and any product issuer rebates paid.

3.5.1 Completing an income tax return

	Franking Credit Distributed ($)	Franking Credit Denied ($)	Tax Return Amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.[1]
Income							
Other Income							
Gain from disposal of convertible notes + other income			67.41				O3
Other income - listed securities			-				
Total Other Income			**67.41**	**24V**	**14O**	**11S**	

a) Assessable other income derived during the year is outlined in the *Other Income* section of the *Summary Report*.

b) Add any other Australian other income received from assets held outside the service.

c) Report assessable Australian other income at **Item 24 Label V** as Category 3 income in the tax return. The investor may also have Category 1 income from assets held outside the service that will need to be separately disclosed.

3.5.2 Reconciling to the Detailed Report

To view other Australian income derived on a transaction by transaction basis, refer to the *Other Income (O)* section of the *Detailed Report*, specifically, Columns O3 and S7 on the *Detailed Report*.

OTHER INCOME (O)

Security	Event	Units	Purchase date	Sale date/ maturity	Purchase cost	Net proceeds	Assessable income/loss
References					*O1*	*O2*	*O3*
Fund Manager Rebate							67.41
Total							**67.41**

3.5.3 Other income received

Product issuer rebates are included as assessable income when amounts are paid.

Any gain or loss on the disposal of traditional securities is reported on the disposal date.

3.5.4 Convertible notes

Interest bearing convertible notes issued prior to 14 May 2002 are generally treated as traditional securities for tax purposes. Broadly, this means that any profit or loss on the disposal or redemption of a traditional security is assessable or deductible under special provisions. These amounts appear in the *Other Income (O)* section of the *Detailed Report*.

For securities issued on or after 14 May 2002, the treatment of conversions and exchanges differs from that described above. In general terms, no assessable gain or deductible loss will arise upon conversion into ordinary shares. Rather, the taxing point will be deferred until the disposal of the ordinary shares that were acquired on conversion or exchange. The gain or loss on the ultimate disposal of the ordinary shares will be subject to the CGT provisions for the period before as well as after any conversion or exchange.

3.6 Foreign source income

Foreign sourced income received may include:

- dividends from dual listed securities (securities listed on the ASX and an international exchange)
- dividends from international listed equities
- foreign income from managed investments and listed trusts
- foreign income from certain foreign entities, eg controlled foreign companies (CFCs)
- foreign income tax offsets (FITO).

	Franking Credit Distributed ($)	Franking Credit Denied ($)	Tax Return Amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.[1]
Income							
Foreign Source Income							
Foreign Income			152.10				T22
Foreign income tax offset			2.85	**20O**	**23Z**	**13C1**	T29
Total Assessable Foreign Source Income			**154.95**	**20E & 20M**	**23B & 23V**	**11D1 & 11D**	
Foreign Entities							
Foreign - CFC			-	**19K**	**22M or 22X**	**11D1 & 11D**	

3.6.1 Completing an income tax return: income from foreign assets

Assessable foreign income required to be reported on the income tax return is the cash amount of any foreign income received plus any associated FITOs (amount of foreign tax withheld) to which an investor is entitled.

a) The amount of assessable foreign income derived (including any available FITOs) is outlined in the *Foreign Source Income* section of the *Summary Report*.

b) Add any other foreign income and associated FITOs received from investments held outside the service.

c) Report the total of gross foreign income at **Item 20 Label E** of the tax return.

d) Report the total of remaining foreign income after losses have been deducted at Item **20 Label M** of the tax return.

e) Calculate the amount of the FITOs that may be claimed. Include this amount at **Item 20 Label O** of the tax return. Please refer to the ATO publication *Guide to foreign income tax offset rules* to determine this amount.

3.6.2 Completing an income tax return: income from foreign entities

Attributed income from foreign entities may include amounts from CFCs. This will primarily include amounts distributed from managed investments and listed trusts.

a) The amount of any CFC income derived is outlined in the *Foreign Entities* section of the *Summary Report*.

b) Add any other attributed income received from CFC investments held outside the service.

c) Report attributed CFC income at **Item 19 Label K** of the tax return and print "X" in the YES box at **Item 19 Label I** of the tax return.

d) Ensure that **Item 19 Label W** of the tax return in relation to transferring assets is answered appropriately.

3.6.3 Reconciling to the Detailed Report

To view amounts of foreign sourced income derived on a transaction by transaction basis, refer to Columns T22 in the *Managed Investments and Listed Trusts* section of the *Detailed Report* and S14 in the *Listed and Unlisted Securities* section of the *Detailed Report*.

For details of assessable attributed CFC income, refer to Column T23 in the *Managed Investments and Listed Trusts* section of the *Detailed Report* and S15 in the *Listed and Unlisted Securities* section of the *Detailed Report*.

For details of FITO amounts, refer to Column T29 in the *Managed Investments and Listed Trusts* section of the *Detailed Report* and S17 in the *Listed and Unlisted Securities* section of the *Detailed Report*.

INCOME

Managed Funds (T)

	Foreign Income							Tax Offset		AMIT
			Distributed Foreign Capital Gains							
Security	**Foreign income**	**Foreign - CFC**	**Gross discount amount[d]**	**Discounted amount[e]**	**Concession amount**	**Indexed**	**Other**	**Foreign income tax offset**	**Aust FC from NZ**	**AMIT - Adjustment[f]**
References	*T22*	*T23*	*T24*	*T25*	*T26*	*T27*	*T28*	*T29*	*T30*	*T31*
Managed fund										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
BlackRock Tactical Growth Fund (PWA0822AU)	152.10				0.29			2.85		135.02
Perpetual Wsale Balanced Growth Fund (PER0063AU)										
van Eyk Blueprint Balanced Fund (MAQ0290AU)										
Total	**152.10**				**0.29**			**2.85**		**135.02**

3.6.4 Foreign income received

Foreign dividends are treated as assessable when paid. Foreign income derived from managed investments and listed trusts is assessable on an accruals (present entitlement) basis.

The amount required to be disclosed in the tax return as assessable income is the foreign income received as cash, plus any FITOs.

Assessable CFC income is also disclosed in this section. Typically, this amount is a non-cash amount accrued from offshore companies.

3.6.5 International securities

Approved international securities (international shares and trust interests) may be held in the service, under a sub-custodial arrangement.

Income received from international securities has been disclosed as foreign income in both the *Summary Report* and *Detailed Report* in Australian dollars (AUD).

Distributions from international trusts will be reported as 100% foreign income. Please note these distributions may contain additional income components such as distributed capital gains, which will not be disclosed in the Tax Report. We recommend investors seek independent tax advice in relation to these distributions.

We will not separately report on any foreign exchange (forex) gains or losses arising as a result of investments in international securities or foreign currency. For international securities, the cost base of the security is reported in AUD, referable to the acquisition settlement date. Proceeds on disposal are reported in AUD at the exchange rate referable to the disposal settlement date.

Amounts may be withheld by foreign jurisdictions on income derived from these securities. Please note, we are not currently in a position to apply for any reduction in withholding tax rates that may be available under a double tax agreement (DTA) for these securities, unless the reduced rate automatically applies.

An amount disclosed by the sub-custodian as foreign tax withheld will be reported in the *Foreign Income Tax Offset* column in the *Detailed Report*. Investors should seek independent tax advice to determine their entitlement (or otherwise) to a FITO in respect of foreign tax withheld.

4 Capital gains tax

4.1 Disposal of capital items (R) and excess assessable gains (X)

The net capital gain or loss amount should be reported at the tax return labels indicated below. Any capital gains or losses derived or incurred outside an investor's portfolio will need to be added to the amount disclosed on the *Summary Report* before being included in the tax return.

	TARP ($)	Non-TARP ($)	Taxable amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.[1]
Capital Gains/Losses							
Capital gains from trust distributions							
Discounted (Grossed up amount)	-	287.31	**287.31**				T12;X2
Indexed	-	-	-				
Other	-	-	-				
Total			**287.31**				
Capital gains from the disposal of assets[2]							
Discounted (Grossed up amount)	-	-	-				
Other	-	-	-				
Losses	-	(209.89)	**(209.89)**				R9
Total Current Year Capital Gains							
Discounted (Grossed up amount)	-	287.31	**287.31**				
Indexed	-	-	-				
Other	-	-	-				
Total			**287.31**				
Net Capital Gains							
Gross capital gains before losses applied			287.31				
Current year capital losses - sale of assets			(209.89)				
Gross Capital Gains After Losses Applied			**77.42**				
CGT Discount Applied to Gross Capital Gains				**50%** **18A**	**50%** **21A**	**33.33%** **11A**	
Net Capital Gains After Discount Applied				**38.71**	**38.71**	**51.61**	
or			**or**				
Net Capital Losses Carried Forward To Later Income Years			-	**18V**			

4.1.1 Completing an income tax return – total gross capital gains and net capital gains

a) Add together all gross discounted capital gains, indexed capital gains, other capital gains from distributions and excess assessable gains. This is outlined in the *Total Current Year Capital Gains* section of the *Summary Report*.

b) Add to the above calculation any capital gains derived from the disposal of assets or distributed capital gains, from any assets held outside the service.

c) Report total capital gains at **Item 18 Label H** of the tax return.

d) To calculate the net capital gain, apply any capital losses against gross capital gains, then apply any available discount.

e) Report net capital gains at **Item 18 Label A** of the tax return.

f) Report any net capital losses at **Item 18 Label V** of the tax return.

4.1.2 Reconciling to the Detailed Report

Distributed capital gains through managed investments or listed trusts

a) Gross discounted capital gains are the sum of Columns T12 and T24 ‘Gross discount amount’ of the *Detailed Report*. This amount is the gross capital gain prior to the application of any losses or discount percentages.

b) Indexed capital gains are the sum of Columns T15 and T27 ‘Indexed amount’ of the *Detailed Report*.

c) Other capital gains are capital gains arising from the sale of assets held for less than 12 months and are the sum of Columns T16 and T28 ‘Other’ of the *Detailed Report*.

INCOME

Managed Funds (T)

	Australian Sourced Income					Expenses	Tax Deducted		Tax Offset	
	Distributed Australian Capital Gains									
Security	**Gross discount amount[a]**	**Discounted amount[b]**	**Concession amount**	**Indexed amount**	**Other amount**	**Expenses paid**	**TFN WHT**	**Non-resident WHT**	**Franking credits (FC)**	**Exploration credits**
References	*T12*	*T13*	*T14*	*T15*	*T16*	*T17*	*T18*	*T19*	*T20*	*T21*
Managed fund										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
BlackRock Tactical Growth Fund (PWA0822AU)	264.86	132.43							23.00	
Perpetual Wsale Balanced Growth Fund (PER0063AU)										
van Eyk Blueprint Balanced Fund (MAQ0290AU)										
Total	**264.86**	**132.43**							**23.00**	

INCOME

Managed Funds (T)

	Foreign Income							Tax Offset		AMIT
			Distributed Foreign Capital Gains							
Security	**Foreign income**	**Foreign - CFC**	**Gross discount amount[d]**	**Discounted amount[e]**	**Concession amount**	**Indexed**	**Other**	**Foreign income tax offset**	**Aust FC from NZ**	**AMIT - Adjustment[f]**
References	*T22*	*T23*	*T24*	*T25*	*T26*	*T27*	*T28*	*T29*	*T30*	*T31*
Managed fund										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
APN Property for Income Fund No 2 (APN0004AU)										
BlackRock Tactical Growth Fund (PWA0822AU)	152.10				0.29			2.85		135.02
Perpetual Wsale Balanced Growth Fund (PER0063AU)										
van Eyk Blueprint Balanced Fund (MAQ0290AU)										
Total	**152.10**				**0.29**			**2.85**		**135.02**

Realised capital gains on disposal of assets

a) The *Detailed Report* calculates discount capital gains, other capital gains and capital losses. It does not calculate capital gains using the indexation method.

b) The *Detailed Report* outlines:

- Gross discount amount (R5)
- Discounted 50% (R6)
- Discounted 33⅓% (R7)
- Other (R8)
- Capital losses (R9).

Excess assessable gains

a) Excess assessable capital gains arise when distributions comprising tax deferred or return of capital amounts would otherwise apply to reduce the cost base of an asset below zero (see section 4.4).

b) The *Detailed Report* calculates discount capital gains and other capital gains. It does not calculate capital gains using the indexation method or capital losses.

c) The *Detailed Report* outlines:

- Excess Assessable Gain Amount (X1)
- Gross discount amount (X2)
- Discounted 50% (X3)
- Discounted 33⅓% (X4)
- Other at (X5).

DISPOSAL OF CAPITAL ITEMS - COST BASE/PROCEEDS INFORMATION (R)

Security	Units	Purchase date	Sale date	Adjusted cost base	Indexed adjusted cost	Net sale proceeds	Proceeds less cost	Gross discount amount	Discounted 50%[a]	Discounted 33 1/3%[b]	Other	Capital losses
References				*R1*	*R2*	*R3*	*R4*	*R5*	*R6*	*R7*	*R8*	*R9*
APN Property for Income Fund No 2 (APN0004AU)	314	31-Oct-06	14-Nov-17	576.89	0.00	367.00	(209.89)	0.00	0.00	0.00	0.00	(209.89)
Total						**367.00**	**(209.89)**	**0.00**	**0.00**	**0.00**	**0.00**	**(209.89)**

EXCESS ASSESSABLE GAINS (X)

Security	Underlying Asset (applicable to Stapled Securities)	Units	Purchase date	Date declared/ paid	Excess Assessable Gain Amount[1]	Gross discount amount	Discounted 50%[a]	Discounted 33 1/3%[b]	Other
References					*X1*	*X2*	*X3*	*X4*	*X5*
van Eyk Blueprint Balanced Fund (MAQ0290AU)		1,026.00	17-Aug-09	02-Aug-17	22.45	22.45	11.23	14.97	
Total					**22.45**	**22.45**	**11.23**	**14.97**	

4.2 Calculating capital gains (or capital losses)

4.2.1 Disposal method elections

In calculating capital gains (or capital losses), we have made the following assumptions:

- investors are Australian residents for tax purposes
- all assets in an account are held as capital assets
- only investments held within the account have been included in the Tax Report
- any shares or units acquired as part of a DRP have been allocated a cost base of the entire distribution amount, rather than the market value of the shares or units acquired.

The Tax Report does not take into account:

- assets that have been included in the *Portfolio Valuation Report* as 'below the line' assets, such as retail managed investments
- any prior year losses or other carried forward balances.

We have provided advisers with the ability to make certain elections that will impact the manner in which realised capital gains or capital losses are calculated. The three elections open to an adviser are:

Specific Parcel Selection – specific parcels may be selected by an adviser for disposal during the current tax year. Advisers do not have the ability to select parcels in relation to certain security types (such as instalment warrants) or under certain circumstances (such as some corporate actions).

Minimum Gain/Maximum Loss – the open parcel that will generate the lowest capital gain or maximum capital loss is deemed to be the parcel sold in the current financial year.

First In First Out (FIFO) – the first parcel purchased is deemed to be the first parcel disposed.

Where no election has been made by an adviser, we will use the FIFO method to calculate realised capital gains or capital losses.

We rely on the information provided by advisers and investors regarding cost base and acquisition details in relation to assets transferred into the service. We make no determination as to the accuracy of the information provided.

4.2.2 Types of capital gains

There are three types of capital gains that may be derived. These are:

1. Discounted capital gains

   These occur when an investor has held, or is deemed to have held, an asset for more than 12 months.

   Investors may be able to apply a discount that reduces the taxable amount of the capital gain. For resident individuals and trusts, the discount is 50%. For complying SMSFs, the discount is 33⅓%. Companies and non-residents are not entitled to any discount.

2. Indexed capital gains

   These occur when an investor acquired an asset before 21 September 1999, and held it for at least 12 months.

   The 'indexation method' allows the cost base of the asset to be increased by an indexation factor that is based on the consumer price index (CPI) movements up to September 1999.

   Where this method is chosen, the discount method cannot apply. However, investors may choose the method that provides the lowest capital gain.

3. Other capital gains

   These occur when an asset has been held for less than 12 months, and are calculated by comparing the proceeds from the sale with the cost base of the asset.

Please note, investors may only realise a capital gain or capital loss in respect of an asset that was purchased on or after 20 September 1985.

For assets with an acquisition date prior to 20 September 1985, they will generally be treated as a pre-CGT asset. Any capital gain or capital loss will be disregarded and no gains or losses will be reported in respect of these assets.

4.3 Taxable Australian real property (TARP) vs non-taxable Australian real property (non-TARP) gains

TARP capital gains arise where:

- an investor has a direct interest, or a more than 10% indirect interest, in a TARP asset
- for indirect interests (eg shares in a company or units in a trust), the total underlying assets of the company or trust related to real property (by way of market value), are more than the total value of the underlying assets not related to real property.

Australian residents are assessed on both TARP and non-TARP capital gains derived during an income year. Non-residents are only assessed and subject to final withholding tax on TARP capital gains they derive during an income year (where the distribution is made through a managed investment trust). In addition, intermediaries (ie entities which are residents for Australian tax purposes but have non-resident investors) may need to use TARP and non-TARP breakdowns to determine their own withholding tax obligations.

We have assumed that investors do not hold a greater than 10% interest in any one asset. Therefore, any capital gains on disposal have been disclosed as a non-TARP capital gain.

Where investors receive a distributed capital gain, we have relied on the product issuer statement for the TARP and non-TARP classification of the capital gains. The amount disclosed on the *Summary Report* reflects the disclosure provided by the product issuer. The *Detailed Report* does not separately identify TARP and non-TARP capital gains. Instead, the combined total of TARP and non-TARP gains distributed are reported under the *Distributed Australian Capital Gains* section of the *Detailed Report*.

4.4 Excess assessable gains

Excess assessable gains arise where the following has occurred:

- an entity has made payments of tax deferred and/or return of capital amounts
- these amounts have reduced the cost base of the asset
- the cost base of the asset has been reduced to zero.

Where this has occurred, any further distributions of these amounts will give rise to an immediate capital gain at the time the non-assessable amount is paid or declared, depending on the nature of the payment. Where the asset is a unit in a trust, this type of capital gain is known as an E4 capital gain, and if the unit is in an AMIT, the capital gain is known as an E10 capital gain. Alternatively, where the asset is a share, this type of capital gain is known as a G1 capital gain. Note that investors cannot make a capital loss as a result of a G1, E4 or E10 CGT event.

Normal discounting rules or indexation may apply to reduce the amount of capital gain. Where the relevant conditions have been met, we have applied the discount to reduce the amount of this capital gain. An E4 and E10 capital gain will be recognised on an accruals basis. A G1 capital gain will be recognised on the date the non-assessable distribution is paid.

5 Fees

5.1 Fees and expenses (F)

Expenses on the Tax Report may include:

- government charges
- administration fees
- adviser fees
- dealer service fees
- interest paid on margin loans.

5.1.1 Completing an income tax return

	Franking Credit Distributed ($)	Franking Credit Denied ($)	Tax Return Amount ($)	Individual Tax Return Ref. No.	Trust Tax Return Ref. No.	SMSF Tax Return Ref. No.	Tax Report - Detailed Ref.
Expenses							
Government Charges			-				F1
Adviser Fees			-				F2
- Adviser Establishment Fees			-				F3
- Adviser Service Fees			-				F4
- Adviser Transaction Fees			-				F5
Administration Fees			1,869.41				F6
Interest Paid (Margin Loan)			-				F7
Dealer Service Fee			-				F8
Other			-				
Total Deductions			**1,869.41**	**D7I,D8H or 13Y**	**16P**	**12I1**	

The total deductions amount shown on the *Summary Report* should be reported on a tax return at the labels indicated. Any amounts incurred outside an investor's portfolio will need to be added to the amount disclosed on the *Summary Report* before being reported on any tax return.

5.1.2 Reconciling to the Detailed Report

To view expenses incurred in an account during the current income tax year, refer to the *Fees and Expenses* section of the *Detailed Report*, references F1 through to F8. The amounts will be separated between deductible, unallocated and non-deductible, as outlined below.

FEES AND EXPENSES (F)

In respect of	*References*	Total payments	Deductible	Non-deductible	Unallocated
Government Charges	*F1*				
Adviser Fees	*F2*				
- Adviser Establishment Fees	*F3*				
- Adviser Service Fees	*F4*				
- Adviser Transaction Fees	*F5*				
Administration Fees	*F6*	1,869.41	1,869.41		
Interest Paid (Margin Loan)	*F7*				
Dealer Service Fee	*F8*				
Total		**1,869.41**	**1,869.41**	**0.00**	**0.00**

5.1.3 Fees and expenses incurred

All fees reported include any applicable Goods and Services Tax (GST), unless expressly stated otherwise. To the extent an input tax credit (or any portion of an input tax credit) is able to be claimed, the benefit of this will be passed on to an investor. To the extent that an investor has claimed, or intends to claim, a credit for the GST reported on the expenses disclosed, the fees reported may need to be adjusted depending on individual circumstances.

Where fees have been reported in the 'Unallocated' column of the *Detailed Report*, we will not separately report these fees in the *Summary Report*, as no determination has been made in relation to their deductibility or otherwise. These fees will be disclosed via a footnote in the *Summary Report*.

5.1.4 Government charges and administration fees

Government charges (including stamp duty) and administration fees have been reported as deductible.

Please note, any stamp duty incurred is unlikely to be immediately deductible and will need to be taken into account when determining an investor's cost base or CGT position.

5.1.5 Adviser fees

The deductibility (or otherwise) of these fees is determined by the nature of the services provided by the adviser directly to an investor. We have provided advisers with the ability to elect how to treat these fees. Where an adviser has not notified us of the treatment of these fees, or where we have been instructed that these fees are unallocated, we have reported these fees in the 'Unallocated' column of the *Detailed Report*.

We have relied on the adviser's instructions and have not considered whether the treatment is correct.

Please note, any brokerage costs have been added to the cost base of assets held (where applicable).

Establishment fees have been treated as non-deductible.

5.1.6 Dealer service fees

Where applicable, we have reported dealer service fees in the 'Unallocated' column of the *Detailed Report*.

5.1.7 Interest on margin loans

Interest reported on the Tax Report in respect of margin loans is the amount provided by the margin lender and may include prepaid interest (where applicable). We have assumed that the amount of interest on a margin loan is fully deductible.

This may not be the case depending on an investor's individual circumstances and investors may wish to seek their own advice as to the deductibility and the timing of deductibility of interest on the margin loan.

If an investor has changed margin lenders throughout the year, interest shown on the *Summary Report* and *Detailed Report* will only apply to the lender attached to the account as at 30 June 2018.

Should the interest on margin loans amount, together with any refunded interest amounts as disclosed in the *Fixed Interest and Cash Investments (C)* section of the *Detailed Report*, not reconcile to the information an investor has received from their margin lender, we recommend investors contact their margin lender directly.

Where a margin loan is jointly held across two or more accounts, we have split the margin loan interest equally across those accounts. We have not considered whether or not this split is correct and investors may need to make the appropriate amendments where required.

6 Treatment of specific securities

6.1 Tax treatment of certain securities

6.1.1 Instalment warrants

The *Detailed Report* discloses all income derived from the underlying asset associated with an instalment warrant in the *Managed Investments and Listed Trusts (T)* section, or the *Listed and Unlisted Securities (S)* section. Capital gains or capital losses on the disposal of an instalment warrant are also reported in the *Disposal of Capital Items (R)* section.

The *Summary Report* discloses such income in the *Dividends and/or Trust Distribution* sections as relevant, while any capital gains or capital losses on disposal are shown in the *Capital gains from the disposal of assets* section.

The *Summary Report* and *Detailed Report* do not report:

- borrowing costs (deductible or non-deductible) associated with an instalment warrant
- any deductible interest or refunded interest amounts on instalment warrants
- any carry forward balances relating to an instalment warrant holding from prior income years.

An *Issuer Instalment Warrant Tax Report – Summary* and *Issuer Instalment Warrant Tax Report – Detailed* will disclose information on instalment warrant holdings as provided by the instalment warrant issuer.

These reports provide investors with a summary of:

- prepaid interest amounts
- interest refund amounts
- borrowing fee amounts.

The amounts reported are separated for individuals and SMSFs.

The *Issuer Instalment Warrant Tax Report – Detailed* provides detailed information for each instalment warrant held in an account.

The expense recognition rules associated with instalment warrants may differ between warrant issuers and may depend on the type of taxpayer. Investors and their accountant should read the footnotes to the reports and undertake independent calculations to determine which amounts (if any) of the expenses reported are deductible in the 2018 tax year.

6.1.2 Stapled securities

Stapled securities are created when two or more different securities are contractually bound together so that they cannot be sold separately, but are instead treated as a single security on the ASX. Different types of securities can be stapled together (eg shares or trust units).

Income from stapled securities may include dividends, interest and trust distributions in their returns to investors. For most stapled securities held in the service we have reported the income on a consolidated basis under the *Managed Investments and Listed Trusts (T)* section. The timing of this income has been reported according to the rules for each individual entity as outlined above. For certain other stapled securities we have split this income and reported separately under each individual entity.

Where investors have disposed of a stapled security during the year, we have reported a consolidated position in respect of the disposal for most stapled securities. For certain other stapled securities, we have reported a separate capital gain and/or capital loss in respect of the underlying assets.

Please note, we have only reported E4, E10 or G1 events (see section 4.4) on underlying assets for some stapled securities.

6.1.3 Controlled foreign companies (CFCs)

The *Detailed Report* separately reports any assets that may accrue CFC income as reported by the product issuer.

6.1.4 Conduit foreign income

Any conduit foreign income received from assets held in an investor's account has been disclosed as Australian unfranked dividend income in the *Summary Report*. It is separately disclosed in the *Detailed Report*.

6.1.5 Non-approved assets

Due to circumstances outside of our control, certain events (such as corporate actions) may result in the acquisition of assets that cannot be reflected in our reports. This includes certain international or unlisted shares. In some instances, we may not receive tax information in a timely manner, or at all.

We will use our best endeavours to report tax events as they apply to investors' accounts. Investors and their advisers should generally seek to monitor any events relating to these assets that may impact their account.

6.1.6 Pooled development funds (PDFs)

Capital gains derived upon the disposal of an interest in a PDF are exempt from tax if the company is a PDF at the time of sale. Also, unfranked dividends paid by a PDF are treated as tax exempt income.

For franked dividends of a PDF, investors have the option of treating this amount as tax exempt or treating the dividends as assessable and claiming the franking credits attached to the franked dividends.

We have elected to treat any franked dividends from PDFs as assessable and have reported any income and credits distributed in the Tax Report. Any expenses incurred in relation to these dividends may be deductible.

6.2 Corporate action events

Below outlines our tax treatment for investors who have participated in certain corporate actions during the tax year.

For further information on certain corporate actions that took place during the year, please see the *Fast facts* section of our website by following the path:

Support ▶ Resources ▶ Fast Facts ▶ 2018 Corporate Actions.

6.2.1 Return of capital distributions

Return of capital distributions require adjustments to the cost base and reduced cost base of the listed or unlisted security. As such, adjustments have been made as at the return of capital date (as advised by the product issuer). See section 4.4 for more information on excess assessable gains.

6.2.2 Issue of bonus shares or bonus options

Where bonus shares are issued and are not assessable, the bonus shares are taken to have been acquired when the original shares were acquired. The cost base of the original shares has been apportioned between the original shares and the bonus shares issued.

Where bonus options are issued, the cost base will generally be nil.

6.2.3 Rights offers

For non-renounceable rights, the acquisition date of the assets will generally be the allotment date as specified by the product issuer. For renounceable rights, the acquisition date will generally be the exercise date.

The cost base of any assets acquired under the exercise of renounceable and non-renounceable rights will typically be the amount that the investor is required to pay for the asset, plus any incidental costs.

A capital gain or capital loss may arise when the assets acquired as a result of an exercise are disposed of.

Where an investor does not exercise their rights and a retail premium is paid, we will process this as an unfranked dividend, unless advised otherwise by the product issuer.

6.2.4 Share buy-backs

All buy-backs processed in the service for the year ended 30 June 2018 were off-market share buy-backs.

Generally, the difference between the buy-back price and the amount debited to the company's share capital account is treated as a dividend. This may or may not be franked.

The deemed capital proceeds for the disposal of the shares bought back includes:

- the amount debited to the share capital account
- the amount by which the market value of the share bought back exceeds the buy-back price.

We process an investor's participation in a share buy-back in accordance with the offer document associated with the share buy-back and any corresponding class ruling released by the ATO.

6.2.5 Rollover relief for capital gains (and capital losses)

We have adopted a consistent methodology for the treatment of capital gains (and in certain circumstances, capital losses) realised on securities eligible for 'scrip for scrip' rollover relief, 'demerger' rollover relief, 'exchange of units in a unit trust for shares in a company' rollover relief or 'exchange of shares in a company for shares in another company' rollover relief. Where eligible, we have elected to apply the rollover relief to defer CGT consequences for investors in the securities affected.

Where securities are ineligible to elect rollover relief, we have realised those shares or units and subsequently re-acquired the same value of shares and/or units in the newly merged, acquired or demerged entity.

6.2.6 Scrip for scrip rollover relief

Scrip for scrip rollover relief may be applied where interests in one entity (eg a share or unit), are exchanged for interests in another entity (eg another share or unit). The replacement asset must be of the same type as the original asset.

For scrip for scrip rollover relief to apply, the interests held by an investor must be post-CGT assets and a capital gain would otherwise have been realised if the assets had been sold. Scrip for scrip rollover will not apply to investors in a capital loss position for those assets.

In cases where scrip for scrip rollover relief has been applied, any applicable ATO Class Ruling has been reviewed to ensure that the rollover has been processed in accordance with current taxation laws.

Once the merger or takeover has been implemented, the new shares or units will be issued. The reports will reflect holdings in the new entity from the date that the merger or takeover occurred and the cost base and acquisition date of these interests will be the same as the interests held in the original entity.

Note that in some instances only partial rollover will be applied. For example, investors may receive cash as well as shares (or units) in a corporate action. In such circumstances, investors will have realised a capital gain or capital loss representing the cash portion received. The proceeds representing the shares (or units) received will be granted partial scrip for scrip rollover relief where the relevant conditions have been met. In these cases, the cost base of the asset has been separated into components attributable to the cash and share proceeds.

6.2.7 Demerger rollover relief

Demerger rollover relief is available where a company or trust group splits into more than one entity. In order for rollover relief to apply, the restructure must occur on or after 1 July 2002.

In cases where demerger rollover has been applied, any applicable ATO Class Ruling has been reviewed to ensure that the rollover has been processed in accordance with current taxation laws.

Where demerger rollover has been applied, the investors' original cost base will be apportioned between two or more entities and the acquisition date of their original interests will be maintained in the demerged entities that they now hold.

For all demergers that occurred during the 2018 tax year, any demerger dividend is deemed to be non-assessable non-exempt income to the investor. Investors may or may not receive cash in respect of this amount. Please note, this amount will <u>not</u> be disclosed in the Tax Reports.

6.2.8 Class action proceeds

When a class action is instigated, eligible shareholders may receive an additional capital amount upon successful completion of the class action. We report these amounts as additional capital gains in the year they are received, unless specific instructions are provided from the product issuer in relation to the tax components.

6.2.9 Worthless shares and financial instruments

When a company is placed into liquidation or administration, a relevant worthless shares or worthless financial instruments loss declaration may be issued by the company administrator or liquidator. Where this has occurred, investors may elect to claim a capital loss in respect of the shares or certain financial instruments in the income year the declaration is made.

We will use our best endeavours to report on any loss declarations as they apply to an investor's portfolio, to provide investors the ability to elect whether to crystallise a capital loss in the year the declaration was made (where eligible). However, due to circumstances outside of our control, relevant information may not be received in a timely manner, or at all.

Please note that a capital loss will not be available as a result of a loss declaration for certain financial instruments held on revenue account (eg traditional securities) or interests in a trust. A capital loss for these securities may be realised when the entity which issued the shares or units is deregistered.

Where an investor or their adviser has been made aware that a company in which they have invested is in liquidation or administration, they should generally seek to monitor any events relating to these assets that may have a tax impact.

7 Separately Managed Accounts (SMA)

Where an investor holds an investment through an SMA, any income received will be disclosed in the relevant section of the *Detailed Report*, under a separate SMA sub-heading.

8 No tax file number (TFN), Australian business number (ABN) or exemption provided

If an investor has chosen not to provide their TFN, ABN or has not notified us of an exemption by the record date of the distribution or dividend, tax may be withheld by share registries for investments in ASX listed securities, and by us from income received in respect of managed investments, at the highest marginal tax rate plus the Medicare Levy. If an amount has been withheld, it is disclosed in the *Summary* and *Detailed Reports*. This amount may be claimed as a credit in an investor's income tax return.

9 Non-resident investors

9.1 Non-resident withholding tax

For non-resident investors, tax may be withheld on certain income received from listed equities and unlisted managed funds.

For listed equities, the share registry will deduct any non-resident withholding tax and remit these amounts to the ATO.

For unlisted managed funds, we withhold tax at a flat rate of 15% from the gross cash distribution received throughout the year and remit this to the ATO.

After year end, a reconciliation is performed against certain assets (eg managed funds held in a non-resident's account). This is completed once all the income components of these assets are known, based on information provided by product issuers and investors. The reconciliation is performed for all open accounts (at the time of issuing the Tax Reports), comparing the amount that was withheld and the amount that should have been withheld.

In performing the reconciliation, we will take into account the correct rates of withholding tax according to the relevant DTA for interest and unfranked distributions. A withholding tax rate of 15% will apply to distributed TARP capital gains and Australian other income where the non-resident lives in a country that Australia maintains an effective Exchange of Information Agreement (EOI) with. A withholding tax rate of 30% will apply to such income where the non-resident lives in a country where no such agreement has been negotiated. We will also take into account any withholding tax we are required to remit to the ATO in relation to deemed payments made from AMITs.

Where too much tax has been withheld throughout the year, a credit is made to the non-resident's cash hub. Conversely, where not enough tax has been withheld, a debit equal to the amount of the tax shortfall is made from the non-resident's cash hub.

The 'Non-resident WHT' column under the *Managed Investments and Listed Trusts (T)* section of the *Detailed Report* discloses the amounts withheld throughout the year.

9.2 Assumptions and principles

In addition to the assumptions outlined in section 2.3, we rely on the following assumptions and principles in performing the reconciliation of non-resident withholding tax:

- distribution statements provided by product issuers report the correct classification of income (eg TARP and non-TARP distributed capital gains) and the correct source of income
- non-resident investors have a portfolio interest (ie less than 10%) in any unlisted managed funds
- the reconciliation has been performed only in respect of assets held in an investor's account
- a reconciliation has only been performed where non-resident investors have their account open at the time of the adjustment. Where the account has been closed prior to the making of the adjustment, we are unable to perform a reconciliation as there is no account into which we can make an adjusting entry
- the reconciliation only details those components where tax is required to be withheld
- the reconciliation has not taken into account distributions of non-TARP capital gains as this distribution component is not subject to withholding tax
- no consideration has been given to the potential impact of the tax regime of the various countries in which the non-resident investors reside.

9.3 Changes in residency

A change in residency may include any of the following examples:

- a resident becoming a non-resident
- a non-resident moving from one overseas country to another overseas country
- a non-resident moving back to Australia and becoming a resident.

Where a non-resident has changed residency, we will continue to withhold tax in accordance with their original country of residence until we have received all the necessary completed and correct documentation. Once this documentation has been received, we will update our systems to apply the correct withholding tax rates (as per the relevant DTA or EOI rates, as applicable) for relevant income distributed by unlisted managed funds.

In relation to listed securities, we will notify the relevant share registry of any residency change when all completed and correct paperwork is received. The registry will then update their systems accordingly.

9.4 Foreign withholding tax deducted at source – dual listed securities

The following applies in respect of shares and trust units that are listed on multiple exchanges, including the ASX. Any withholding tax adjustments are therefore made by the relevant share registry.

Please note, due to the complex nature of the tax systems in foreign jurisdictions, investors should seek their own independent tax advice in relation to the most appropriate forms to complete and the disclosures made in those forms.

9.4.1 United States of America (US)

For listed securities which derive income in the US, the Internal Revenue Service (IRS) requires certain documentation from the ultimate beneficial owner to ensure that the appropriate level of tax is withheld in the US. For individuals who are non-US citizens or non-US residents for US tax purposes, the required documentation includes a W-8BEN form. For certain non-US resident entities, this includes a W-8BEN-E form.

Macquarie is unable to complete the required documentation on behalf of investors. Where the requisite forms are completed by clients, withholding tax of 15% may apply for Australian resident investors who derive income in the US (in accordance with the Australia/US DTA). Alternatively, where the forms are not completed or correct in full or in part, DTA benefits will not apply, resulting in a higher rate of withholding tax for Australian resident investors.

Where tax has been withheld from income derived in the US, it will be referenced on the *Detailed Report* next to the security name as 'W-8BEN Tax'.

9.4.2 FATCA and CRS

Under the Common Reporting Standard (CRS) and Foreign Account Tax Compliance Act (FATCA), we are required to collect certain information from you to identify if you are a tax resident of a country other than Australia. If you are a foreign tax resident, we may provide this information to the ATO, who may pass this information on to tax authorities in other countries.

9.4.3 Canada

Canada requires additional documentation to be completed where DTA rates are applied to non-Canadian residents on certain Canadian income they may receive during the year.

Where the requisite forms have been completed and provided to us, the applicable DTA rate may be applied for such income of an investor.

Where the requisite forms have not been completed in full or in part and provided to us, 25% tax may be withheld.

9.4.4 Ireland

Ireland also requires additional documentation to be completed where DTA rates are applied to non-Irish residents on certain Irish income they may receive during the year.

Where the requisite forms have been completed and provided to us, the applicable DTA rate may be applied for such income of an investor.

Where the requisite forms have not been completed in full or in part and provided to us, 20% tax may be withheld.

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The Directors
Macquarie Investment Management Limited
1 Shelley St
SYDNEY NSW 2000

2 August 2018

Independent Taxation Review
Macquarie Wrap
(Macquarie Investment Manager, Macquarie Investment Consolidator and Macquarie Investment Accumulator) Tax Guide
For the year ended 30 June 2018

Dear Directors

We have reviewed the above Tax Guide ("the Tax Guide") for Macquarie Investment Management Limited ("MIML") for the year ended 30 June 2018. We have conducted an independent taxation review to determine whether, in our reasonable opinion, the Tax Guide contains any material misstatements or omissions in relation to taxation matters.

This letter has been prepared for MIML in accordance with the terms of our Work Order, dated 13 July 2018.

Scope of Review

Our review of the Tax Guide has been limited to determining whether we are aware of any material misstatement with respect to the tax technical principles advised by MIML in the Tax Guide or any material tax omissions from the Tax Guide. The scope of our review did not extend to a review or testing of the systems, nor a review of the technical principles beyond those disclosed in the Tax Guide. Our review is based on the information made available to us by MIML and we have relied upon written representations from MIML regarding the factual accuracy of information provided to us.

Our review is based on the taxation laws, rulings and administrative practice of the Australian Taxation Office as at the date of this letter.

Statement

This letter does not constitute financial product advice as defined in the Corporations Act 2001. This letter is confined to taxation issues and is only one of the matters investors need to consider when making a decision about their investments. Investors should consider taking advice from a licensed adviser, before making a decision about their investments. The partnership of Ernst & Young is not required to hold an Australian Financial Services Licence under the Corporations Act 2001 to provide this taxation advice.

Other than the statement below, we have not made any statement included in the Tax Guide or any statement on which a statement in the Tax Guide is based. We have not authorised or caused the issue of the Tax Guide or otherwise been involved in the preparation of the Tax Guide. To the maximum extent permitted by law, we expressly disclaim and take no responsibility for any part of the Tax Guide, including any statements or omissions.

We disclaim all liability to any person or other party for all costs, loss, damage and liability that the person or other party may suffer or incur arising from or relating to or in any way connected with the contents of this letter or the provision of this letter to the person or other party or the reliance on this letter by the person or other party.

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Based on the review procedures outlined above, we are not aware of any issues that would cause us to believe that the contents of the Tax Guide for the year ended 30 June 2018 contains a material misstatement or omission.

Yours sincerely

Ernst + Young

Ernst & Young

For more information or if you have any questions, please call us on 1800 025 063, visit macquarie.com.au/personal or macquarie.com.au/wraptax

Macquarie Wrap
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Macquarie Investment Manager, Macquarie Investment Consolidator and Macquarie Investment Accumulator are Investor Directed Portfolio Services operated by Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492 (MIML). Term deposits may be deposits with Macquarie Bank Limited (MBL) ABN 46 008 583 542. MIML may allow term deposits issued by other financial institutions to be held on the investment menu.

MIML is not an authorised deposit-taking institution for the purposes of the *Banking Act 1959 (Cth)*, and unless otherwise specified in the offer documents, MIML's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of MIML. Investments made through Macquarie Investment Manager and Macquarie Investment Consolidator are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Neither MBL, MIML, nor any other member company of the Macquarie Group guarantees the repayment of capital or the performance or any particular rate of return of the investments purchased through Macquarie Investment Manager, Macquarie Investment Consolidator and Macquarie Investment Accumulator.

This document has been prepared as a general guide only. This is not personal advice. This Tax Guide has been prepared without taking into account an investor's objectives, financial situation or needs. Therefore, before preparing an income tax return, investors should consider the appropriateness and relevance of the Tax Guide, taking into account their specific circumstances. Macquarie recommends that the general assumptions and tax policies section are read thoroughly because in some instances the policies applied may not be applicable to an investor's specific circumstances and if this is the case, particular amounts may need to be recalculated using other reports available.

Macquarie strongly recommends that an investor's income tax return is prepared in conjunction with advice from an accountant or tax adviser. This Tax Guide covers the tax policies and assumptions which Macquarie has relied upon in preparing the Tax Report – Summary and Tax Report – Detailed but should not be relied upon as a substitute for professional taxation advice.

Please also note that MIML and its representatives are not registered tax (financial) advisers under the *Tax Agent Services Act 2009 (Cth)*. If an investor intends to rely on any information in this document to satisfy liabilities or obligations or claim entitlements that arise, or could arise under a taxation law, they should request advice from a registered tax (financial) adviser or a registered tax agent.

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