



## Taxation of Registered Managed Investment Schemes

The following information is a tax summary based on tax laws current at the date of this document. The purpose of this information is to provide a general outline of the Australian tax implications for Australian resident investors who hold an interest in the Funds on capital account. This general summary is not intended to be authoritative or a complete statement of the applicable laws. Prospective investors are advised to seek independent professional advice relevant to their own particular circumstances before investing in the Funds.

### Taxation of the Funds

The Funds are registered within Australia for tax purposes, with income determined for each Fund annually.

The Funds have made the MIT capital account election. Consequently, all gains and losses from disposal of qualifying assets (for example shares in a company or units in a unit trust) are treated as being on capital account for tax purposes. This election is irrevocable.

On the basis that investors are presently entitled to the net income of each Fund (including net taxable capital gains), pursuant to the existing income tax legislation, the Funds should not be subject to Australian income tax. In the case where a Fund makes a loss, for tax purposes the Fund cannot distribute the loss to investors. However, subject to that Fund meeting certain conditions, the Fund may be able to take into account the losses in subsequent years.

### Taxation of resident investors

Generally, an investor's entitlement to the net income of a Fund for a financial year forms part of the investor's assessable income for that year. This includes distributions that investors have elected to have reinvested into additional units in the Funds.

Due to the possibility of investors moving into and out of each Fund at different points in time, there is a risk that taxation liabilities in respect of gains that have benefited past investors may have to be met by subsequent investors.

### Risks of investing shortly before a distribution

A distribution of net income generally forms part of an investor's assessable income, and investors will be liable to pay tax on that income. At the time of distribution, the value of each unit will be reduced by the distribution amount.

### Capital gains tax discount

Distribution of income is not based on the amount of time investors have held units in the Fund, but rather the number of units an investor holds at the distribution date (31 December and 30 June).

Investors purchasing units on or shortly before a distribution date will receive the full distribution entitlement for the number of units they hold at the distribution date. Such distributions (depending on the investor's tax circumstances) will be likely to create a tax liability for the investor.

Distributions from the Funds to investors may include capital gains realised by the Fund. Investors that are individuals or superannuation funds may be entitled to a capital gains discount where the capital gain has arisen from an investment held continuously by the Fund for at least 12 months. Companies are not entitled to the discount.

### Imputation credits and franked dividends

Income distributions from the Funds may include an entitlement to franked dividends. Generally, investors should include the franked dividends and the franking credits (imputation credits) they receive in their assessable income. Certain additional requirements, including the 45-day holding period rule may need to be satisfied in order to obtain franking credits in relation to dividends. The investor's particular circumstances (and those of the applicable Fund) will be relevant to determine whether the investor is entitled to any franking credits in respect of their share of the franked dividends.



### **Foreign income**

The Funds may derive foreign sourced income that is subject to tax overseas. Investors should include their share of both the foreign income and the amount of the foreign tax credits in their assessable income. Investors may be entitled to foreign income tax offsets that may be used to offset the Australian tax payable on the foreign source income.

### **Foreign investment funds (FIF) and Foreign accumulation funds (FAF)**

The former FIF regime has been abolished with effect from 1 July 2010. It is anticipated that the FIF regime will be replaced by the FAF regime. Based on Exposure Draft legislation released by the Government on 17 February 2011, it is expected that the new regime will seek to tax foreign investments which do not annually distribute income from certain investments. On this basis, the FAF rules are unlikely to apply to the Funds.

### **Tax free distributions and tax deferred distributions**

Distributions of non-assessable amounts are generally not subject to tax. Examples of non-assessable amounts include distributions comprising amounts attributable to deductions for capital allowances. Although the receipt of non-assessable amounts is generally not subject to tax, the receipt of certain non-assessable amounts may have capital gains tax consequences. Broadly, the receipt of certain non-assessable amounts may reduce the cost base of the investor's investment in a Fund. The impact of the reduction to the cost base may result in either an increased capital gain or a reduced capital loss on the subsequent disposal of the investment in a Fund.

### **Disposal of units by investors**

Any taxable capital gain arising from the disposal of an investment in any of the Funds may form part of the investor's assessable income. Investors that are individuals, trusts, and complying superannuation funds may be eligible for the discount capital gain concession if their investment has been held for 12 months or more, and the relevant Fund – and the investor – satisfies certain other requirements.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived.