

Who should use this guide?

This guide will assist you in completing your 2007 tax return. The information in this guide is only for:

- Individual taxpayers who are Australian residents for tax purposes for the entire year; and
- Investments that qualify as a capital investment for tax purposes.

Australian taxation laws are complex. The application of these laws depends upon an investor's individual circumstances. The taxation information in this guide is of a general nature only. If you have any doubt or require further information about the taxation position of your investment we recommend you talk to your accountant or tax adviser.

If your investment is held in the name of a company, trust, superannuation fund or partnership, you will need to adapt the tax information contained in your 2007 tax return information to meet your tax status. We recommend you contact your accountant or tax adviser for assistance.

The purpose of this guide

This guide will help you to complete your Individual Tax Return 2007 (Supplementary Section).

This guide contains general information only and it does not substitute any Australian Taxation office (ATO) instructions.

You should refer to your tax statement when completing your tax return. Where you have capital gain amounts on your tax statement, you may need to refer to the ATO publication *Personal Investors Guide to Capital Gains Tax 2007*.

We have indicated the amounts on your tax statement that need to be included in your tax return. Each component of your distribution is explained in this guide.

Your tax return and your tax statement

In your tax return, you must declare income that you have become presently entitled to during the period 1 July 2006 to 30 June 2007. This may not coincide with the actual cash distribution you have received during the same period.

To assist you in completing your 2007 tax return, the following points should be noted:

- All amounts are expressed in Australian currency.
- To complete your individual tax return, you will need to obtain copies of the *Tax Pack 2007* and the *Tax Pack 2007 Supplement*. If you have capital gains amounts, you may need to obtain a copy of the publication *Personal Investors Guide to Capital Gains Tax 2007* from the ATO.
- The question references in this guide relate to the *Tax Return 2007 (Supplementary Section)*.
- If you have received income from other investments, you will need to combine the information from those investments with the information we have provided.

Part A. Summary of 2007 Tax return for individuals (supplementary section) 2007 items.

This section of your tax return information explains items 12, 17 and 19 in the *Tax return for individuals (supplementary section) 2007* which may need to be completed by an investor in a managed fund. For investors with straightforward tax circumstances the information in Part A may be sufficient to complete your tax return. The amounts shown in Part A should be included in your tax return against the tax return labels as shown on your tax statement.

U Item 12 – Non-primary production income

This amount includes your share of franked dividends and your share of franking credits. Net capital gains and foreign income are not shown here.

Y Item 12 – Other deductions relating to distributions

This item shows the total of deductible expenses you incurred during the income year. (Deductions allowable to the trustees that are taken into account in the net income calculation under section 95 of the ITAA 1936 are not shown at this item. Ordinarily, deductible expenses would be netted off against the relevant class of income in the trust estate.)

Q Item 12 – Franking credits

Franking credits are credits for Australian tax that has been paid by a company on its earnings.

R Item 12 – Credit for TFN amounts withheld

This represents tax withheld by the Fund if you did not supply your TFN or Australian Business Number (where appropriate) to the Fund.

H Item 17 – Total current year capital gains

This is the total of 'other capital gains' plus the grossed up amount of 'discounted capital gains'. For a breakdown of this amount please refer to the section headed additional capital gains information on your 2007 tax return information.

A Item 17 – Net capital gain

A capital gain can arise from the sale of assets within the fund or when you redeem either all or part of your investment. The net capital gains from the sale of assets within the fund are included as part of your distribution. The net capital gain distributed to you is the amount remaining after the Fund has applied any capital losses and the capital gains tax discount.

You should also refer to later sections of this guide for further information regarding capital gains.

To assist in completing the relevant capital gains tax questions please refer to the ATO publication *Personal investors guide to capital gains tax 2007*.

E Item 19 and M Item 19 – Foreign source income

As an Australian resident taxpayer you are liable to Australian income tax on any assessable income earned from overseas investments. If you have any deductions relating to foreign income, then you should refer to the instructions in the *Tax Pack 2007 supplement*.

Part B. Foreign Tax Credit Information

Part B contains the specific information required to determine your foreign tax credit entitlement in accordance with the 1936 Act.

Foreign tax credits

The foreign tax credit you are entitled to claim cannot exceed the amount of Australian tax that would be payable on that foreign income. You will need to refer to the ATO publication *How to claim a foreign tax credit 2007* in order to calculate the total amount of foreign tax credits you are entitled to claim.

Part C. Capital gains tax information

Part C explains the components of a distribution that you may need to know to work out your net capital gain or loss.

Capital gains

These items provide tax figures for the break up of H item 17 (Total current year capital gains) shown in Part A. It is also necessary if you have capital losses to offset and for completion of the *Capital Gains Tax (CGT) schedule*.

Part D. Distribution components

This section allows a reconciliation of the net cash amount distributed to you and provides information relevant to cost base adjustments and foreign loss quarantining.

Australian income

These details provide a break up of U item 12 (Non-primary production income) and the information necessary for you to use the *Application for refund of franking credits for individuals 2007*.

Discounted capital gains

These are capital gains that are eligible for the 50% capital gains tax discount. The entire amount of the gain has been distributed to you. Complying superannuation funds will need to double the discounted capital amount and then apply the one third discount rate. Companies will need to double the discounted gain.

CGT concession amount

This amount comprises the non-assessable CGT discount amount paid. It does not need to be included in your tax return and does not require an adjustment to either the cost base or reduced cost base of your investment.

Capital Gains – Other method

These capital gains generally relate to assets held for less than 12 months. The full amount is taxable.

Distribution capital gains

This item represents the actual cash amount of capital gains distributed and includes the non-assessable CGT concession amount.

Net capital gain

This item represents the net capital gain under the three methods included in the share of net income. Where you have no current year capital losses or prior year net capital losses, this figure can be used directly for completion of Part A Item 17. If you have capital losses to offset, you would need to refer to the Tax office publications - *Guide to capital gains tax 2007* or *Personal investors guide to capital gains tax 2007*.

Other Non-assessable amounts

This is made up of tax free, tax deferred and tax exempt amounts that have been distributed to you. These amounts do not need to be included in your tax return, however, the tax free and tax deferred components may affect either the cost base or reduced cost base of your investment. For further information regarding the treatment of these amounts you should refer to the ATO publication *Personal Investors Guide to Capital Gains Tax 2007*.

Important

This guide is not advice. Readers should not act solely on the terms of the material contained in this guide. The taxation matters covered in this guide are of a general nature only and do not constitute or convey advice. Also, changes in law may occur quickly. We therefore strongly recommend that formal advice be sought before acting on the basis of any information contained in this guide.

This document is not intended to represent investment or professional advice. The information does not take into account your individual financial circumstances. You should assess whether the information is appropriate to you and consider talking to your financial adviser and/or tax adviser.