Netwealth Wrap Services
Tax Statement Guide

netwealth Investments Limited

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Your Netwealth Wrap Tax Statement

Financial year ended 30 June 2018

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About this guide

This guide is to be read in conjunction with your Wrap Tax Statement and is designed to assist in the completion of your Tax Return.

In preparing your Tax Statement, we have made the following assumptions:

- You are a resident of Australia for tax purposes for the entire financial year; and
- You hold your investments on 'capital account'. This means that where any taxable gains or losses you make from disposing of your investments are segregated and treated differently to other types of taxable income such as dividends and interest.

There are specific rules relating to the eligibility of foreign residents to access capital gains tax discounts. If you are a non-resident of Australia for taxation purposes independent taxation advice should be sought.

Netwealth has the ability to produce your Tax Statement in the format for the following entity types:

- Individual
- Self-Managed Superannuation Fund
- Company

The entity type applied to your account is stated in your account details on the statement. If you would like to change your entity type please contact Netwealth.

Your Tax Statement details the taxation information relating to your account in the form and sequence required to complete:

- Individual tax return 2018 and Tax return for individuals (supplementary section) 2018
- Self-Managed Superannuation Fund Annual Return 2018
- Company Tax Return 2018

If your total capital gains/losses for the financial year exceed $10,000, then you will also need to complete Capital Gains Tax (CGT) Schedule 2018.

If your total tax losses and/or net capital losses carried forward to later income years is greater than $100,000, then you will also need to complete Losses Schedule 2018.

The information about taxation in this statement is based on taxation laws as they exist at the time this statement was published. As individual circumstances may differ, and taxation matters can be complex, it is advisable to seek your own taxation advice.

The information contained in your Tax Statement only relates to your investments held with the Netwealth Wrap Service. You, or your taxation adviser, will need to take this into account when preparing your Tax Return if you own other investments, or derive income or capital gains or losses from outside the Netwealth Wrap Service.

All the information set out in your Tax Statement is based on information provided by you and the issuers of the securities and investments (e.g. shares, managed funds, term deposits) held in your Wrap account. Whilst all reasonable care has been taken in preparing this statement, Netwealth Investments Limited can accept no responsibility for errors or omissions in information provided to us.

Please also refer to Australian Taxation Office (ATO) publications for instructions on completing your Tax Return.

Summary of taxable income

This is a summary of income and expenses in your account for the financial year and is designed to assist with the completion of your tax return. The detail of each item is given in the attached schedules.

The amount in the total column is the amount to be entered into the corresponding tax return reference field in your tax return.

Summary of capital gains

This is a summary of capital gain events and capital gain distributions in your account for the financial year and is designed to assist with the completion of your tax return.

The detail of each item is displayed in Schedule 3 – Capital gains income and Schedule 6 – Realised gains/losses.

Discounting has been applied to your capital gains calculation where applicable based on your entity type:

- Individual – 50% discount
- Self-Managed Superannuation Fund – 33 1/3% discount
- Company – no discount

Where applicable, losses will be applied to offset non-discounted and discounted gains respectively. Where losses are greater than gains the unused portion of losses is displayed. This can be used to offset other gains such as capital gains income or other capital gains held outside your account. See Additional Notes – Prior Year Losses.

The amount in the total column is the amount to be entered into the corresponding tax return reference field in your tax return.

Tax return reference

Summary of capital gains	Individual	SMSF	Company
Total capital gains	18H		
Net capital gains	18A	11A	7A
Unrealised capital gains	18V	14V	13V

Schedule 1 – Interest

Interest income received in your account from the following investments will be listed on this schedule:

- Wrap cash account
- Term deposits
- Bonds
- Traditional securities

Withholding tax may have been deducted from your interest received if you have not provided your Tax File Number (TFN) or you are a non-resident for taxation purposes.

Any other interest earned on other investments will be included in the Other Income column on Schedule 2 – Distributions and dividends.

The total amounts on this schedule will be included in the Summary of taxable income and included in the total amount applicable to the following tax return references.

Tax return reference

Interest	Individual	SMSF	Company
Interest	10L	11C	6F (income)
TFN amounts withheld from interest	10M	13E2	Calculation statement H4

Schedule 2 – Distributions and dividends

Distributions and dividends from your investments will be detailed in this schedule. There are 3 sections in this schedule:

- Managed Fund and Trust distributions
- Dividends
- Other investment related income

Section 1 – Managed Fund and Trust Distributions

Franked details the dividends received from managed funds that are franked under the imputation system as advised by the fund manager. The amount shown has not been grossed up to include any franking credits (tax credits) applicable.

Unfranked / other includes unfranked dividends, interest, unfranked conduit foreign income, rental income and other assessable income as advised by the fund manager. It also includes amounts that are to be declared as assessable for tax purposes even where those amounts have not been received as cash.

Non-assessable includes any income amounts received that are non-assessable for tax purposes.

Cost base reductions (non-AMIT) include distributions that are generally not assessable for income tax but will reduce the cost base of your investment for the purposes of calculating the capital gain/loss on disposal. Types of income included here are:

- Tax Deferred
- Tax Free (affects 'reduced cost base' only)
- Return of Capital

Capital gains includes the total amount of capital gains applicable to distributions from managed funds. Schedule 3 – Capital gains income provides a further breakdown of these distributions.

Foreign source includes the total amount of foreign source income applicable to distributions from managed funds. Schedule 4 – Foreign source income provides a further breakdown of these distributions.

Franking credits are the amount of tax credits applicable to your dividends received. Franking credits represent the tax that has already been paid in respect of franked dividends received and are available to you as a credit against your tax payable. See Additional Notes - Franking Credits

AMIT cost base adjustments are non-cash cost base adjustments to units held in Attribution Managed Investment Trusts (AMIT). The adjustment can be an increase or decrease to the cost base of units and will impact the capital gains calculation when you sell the units.

EDI (Exploration Development Incentive) credits are the amount of tax credits applicable to your dividends received from exploration companies undertaking greenfields mineral exploration in Australia.

Withholding tax may have been deducted from your distributions received if you have not provided your TFN or you are a non-resident for taxation purposes.

The total amounts on this schedule will be included in the Summary of taxable income and included in the total amount applicable to the following tax return references.

Tax return reference

Partnerships and trusts (non-primary production)	Individual	SMSF	Company
Franked	13C	11M	6E (income)
Other Australian Income	13U	11M	6E (income)
Franking Credits	13Q	11M&13E1	Calculation statement C
Exploration development incentive credits	T11	13E4	
TFN amounts withheld from distributions	13R	13E2	Calculation statement H4

Section 2 - Dividends

Franked and unfranked dividends and associated franking credits received in your account from the following investments will be listed in this section of this schedule:

- Shares listed on the Australian Stock Exchange (ASX)
- Stapled securities (franked and unfranked income)

Franked details the dividends received that are franked under the imputation system. The amount shown has not been grossed up to include any franking credits (tax credits) applicable.

Unfranked / other details the dividends received that have not been franked. No franking credits arise in respect of unfranked dividends.

Franking credits are the tax credits applicable to your dividends received. Franking credits represent the tax that has already been paid in respect of franked dividends received and are available to you as a credit against your tax payable. See Additional Notes - Franking Credits.

Withholding tax may have been deducted from your dividends received if you have not provided your TFN or you are a non-resident for taxation purposes.

The total amounts on this schedule will be included in the Summary of taxable income and included in the total amount applicable to the following tax return references.

Tax return reference

Dividends	Individual	SMSF	Company
Unfranked	11S	11J	6H (income)
Franked	11T	11K	6H (income)
Franking Credit	11U	11L&13E1	7J
TFN amounts withheld from dividends	11V	13E2	Calculation statement H4

Section 3 – Investment Related Income

All other income received in your account will be listed in this section. Income included here will include managed fund rebates, investor rewards payments and stamping fee rebates.

These amounts are included in the Unfranked/other column and the total will be included in Other income on the Summary of taxable income and included in the total amount applicable to the following tax return references.

Tax return reference

Other income and deductions	Individual	SMSF	Company
Other income	24V	11S	6R (income)

Schedule 3 – Capital gains income

Capital gains income included in managed fund distributions is detailed in this schedule. There are 2 types of capital gains income:

- TARP refers to taxable Australian real property
- NTARP refers to non-taxable Australian real property

Discounted capital gains occur where assets of the managed fund were sold on or after 21 September 1999 and owned by the fund for more than 12 months. The capital gain displayed is the gross gain however discounting may apply. If applicable, the discount is applied on the Summary of Capital Gains and is dependent on the entity of your account:

- Individual - 50% discount
- Self-Managed Superannuation Fund – 33 1/3% discount
- Company – no discount

Concessional capital gain is non-assessable income and generally relates to the excluded component of the capital gains calculated under the discount method.

Other capital gains occur where assets of the managed fund have been held for less than 12 months before they have been sold and no discounting applies, or the asset was purchased between 20 September 1985 and 20 September 1999 and indexation applies to the gain.

Discounted foreign capital gains is the amount of discounted capital gains income applicable to foreign investments held in the managed fund.

Other foreign capital gains this is the amount of other capital gains income applicable to foreign investments held in the managed fund.

The total amounts on this schedule will be included in the Summary of capital gains. They are not individually reported in your tax return but are included in the calculation of net capital gains.

Schedule 4 – Foreign source income

Foreign source income will be detailed in this schedule. There are 2 sections which group your income into Trust distributions and Dividends.

Section 1 – Managed Fund and Trust distributions

This section provides details of foreign source income received from managed funds. The total income appearing in this section will also appear in Schedule 2 - Distributions and Dividends Section 1 – Trust Distributions.

Foreign income includes interest and other foreign income from managed fund distributions. The amount shown has not been grossed up to include any foreign tax offsets (tax credits) applicable.

Foreign capital gains income on this schedule will be included in the Summary of capital gains. They are not individually reported in your tax return but are included in the calculation of net capital gains.

Foreign tax offset represents tax already paid on foreign sourced income. There is a limit to the quantum of foreign income tax offsets that may be claimed. We have not determined the limit of foreign income tax offsets you are eligible to claim. If your distribution includes a foreign income tax offset, you should refer to the Guide to foreign income tax offset rules on the ATO website as there are limits to what you can claim depending on your entity type. We recommend that you seek tax advice if you wish to claim foreign income tax offsets in relation to your foreign income.

Australian franking credits from New Zealand company are received from a New Zealand company that maintains an Australian franking account and has passed the credit to unit holders.

Section 2 – Dividends

This section provides details of dividends received from International shares.

Foreign income will include all dividends received from International shares. The amount shown has not been grossed up to include any foreign tax offsets (tax credits) applicable.

Foreign tax offset represents tax already paid on foreign sourced income. There is a limit to the quantum of foreign income tax offsets that may be claimed. We have not determined the limit of foreign income tax offsets you are eligible to claim. If your distribution includes a foreign income tax offset, you should refer to the Guide to foreign income tax offset rules on the ATO website as there are limits to what you can claim depending on your entity type. We recommend that you seek tax advice if you wish to claim foreign income tax offsets in relation to your foreign income.

Australian franking credits from New Zealand company are received from a New Zealand company that maintains an Australian franking account and has passed the credit to unit holders.

Summary of foreign source income consolidates the net foreign income with the foreign tax credits to represent the gross amount required for your tax return.

The total taxable amounts on this schedule will be included in the Summary of taxable income and included in the total amount applicable to the following tax return references.

Tax return reference

Foreign source income	Individual	SMSF	Company
Foreign source income	20M&20E	11D&11D1	8G&8R (income)
Foreign income tax offsets	20O&20E	11D1&13C1	8G&20J
Aust franking credits from NZ company	20F	11E	7C
TFN amounts withheld from foreign source dividends	13R	13E2	Calculation statement H4

Schedule 5 – Deductions and expenses

All fees and expenses charged to your account will be detailed in Schedule 5 - Deductions and Expenses. The tax implications of each item will determine which column the expense appears in, deductible or non-deductible.

These expenses will appear as one item in the Summary of taxable income and for individuals will be classified as dividend deductions in your tax return. For Self-Managed Superannuation Funds you will need to refer to the schedule for further details of the deductions to determine which field to enter on your tax return.

Tax return reference

Other income and deductions	Individual	SMSF	Company
Deductible expenses	D8H	12N	6S (expenses)

See Additional Notes – Non-deductible and deductible expenses, Legal fees, Insurance premiums.

Schedule 6 – Realised gains/losses

Realised gains and losses from your investments made throughout the financial year will be detailed in this schedule. There are 4 sections which group your realised gains and losses into the following:

Section 1 – Income gains/losses

This section provides information on the sale of Traditional Security assets and Foreign Currency throughout the financial year that result in a gain or loss. These asset types do not attract capital gains tax but are considered as income or deductions for tax purposes.

These gains/losses will be included in the Summary of taxable income and included in the total amount applicable to the following tax return references.

Tax return reference

Other income and deductions	Individual	SMSF	Company
Disposal of traditional securities and foreign currencies - Losses	D15J	12N	6S (expenses)
Disposal of traditional securities and foreign currencies - Gains	24Y	11S	6R (income)

See Additional Notes – Traditional Securities and Foreign Currency

Section 2 – Realised capital gains/losses

This section provides information on assets sold throughout the financial year that result in a capital gain or a capital loss.

The total amounts on this section will be included in the Summary of capital gains. They are not individually reported in your tax return but are included in the calculation of net capital gains.

Section 3 – Non-assessable gains/losses

This section will display the sale of assets that are considered non-assessable for tax purposes. Examples of this would be assets purchased prior to the introduction of capital gain tax (20/09/1985).

Section 4 – Capital event without a sale

This section will display capital gain events that have been recorded in your account where there was no sale of units or shares. Examples of this would be corporate actions, return of capital (greater than original cost), foreign exchange rate adjustments (forex gains/losses) and crystallisation of assets.

See Additional Notes – Forex Gains/Losses

An explanation of each column in the schedule is as follows:

Acquisition date is the deemed acquisition date. This will usually be the date of purchase or acquisition of units but may be adjusted for corporate actions and CGT relief.

Effective date is the deemed disposal date. This will usually be the date of sale but may be adjusted for corporate actions.

Cost base is the original cost of the units before any adjustments have been applied. Again, this may vary in the event of corporate actions.

Additional costs will include costs incurred in the purchase and sale of the asset. Brokerage, transaction fees and negative foreign exchange rate adjustments will be included here.

Cost base reductions (non-AMIT) will include income that is not subject to income tax but is deferred and applied to the cost base of units and will impact the capital gains calculation when you sell the units. Examples of this are Tax Deferred, Tax Free (affects the 'reduced cost base' only) and Return of Capital.

AMIT cost base adjustments are non-cash cost base adjustments to units held in AMITs. The adjustment can be an increase or decrease to the cost base of units and will impact the capital gains calculation when you sell the units.

Adjusted cost is the cost base adjusted by additional costs, cost base reductions and AMIT cost base adjustments.

Indexed cost base is the cost base of units purchased between 20/09/1985 and 20/09/1999 adjusted by an applicable indexation factor. You have the option to choose the indexation method or the discount method when applying capital gains to these units. We have chosen the discount method which in most cases will produce the lesser gain.

Proceeds is the cash received or deemed value on disposal of units.

Capital gain/(loss) is calculated by subtracting the adjusted cost from the proceeds. This will only apply to those units that qualify for capital gains tax.

Income/(deduction) is calculated by subtracting the adjusted cost from the proceeds. This will only apply to those units that do not qualify for capital gains tax but are considered as income or deductions for tax purposes. Assets such as traditional securities and foreign currency fall into this category. See Additional Notes – Traditional Securities and Foreign Currency

Method is the taxation method used or the result in calculating the gain or loss.

Summary of capital gains/losses summarises all gains and losses calculated above. Where applicable, losses will be applied to offset non-discounted and discounted gains respectively. Where losses are greater than gains the unused portion of losses is displayed. This can be used to offset other gains such as capital gains income or other capital gains held outside your account. This section does not include capital gains income however, the full effect can be seen in the Summary of Capital Gains on page 3 of your statement.

Schedule 7 – Unrealised capital gains/losses

Unrealised capital gains/losses schedule is only included if the entity of your account is a Self-Managed Superannuation Fund. This information is designed to assist you in preparing your annual financial statements.

Schedule 8 – Unrealised/realised accounting profit and loss

Unrealised / realised accounting profit and loss schedule is only included if the entity of your account is a Self-Managed Superannuation Fund. This information is designed to assist you in preparing your annual financial statements.

Portfolio valuation

The portfolio valuation is the balance of your account as at 30 June 2018.

It details the value of your accounts:

- Cash account
- Assets held – units, unit price and value
- Income receivable

These values are based on information provided by the issuers of the securities held in your account that were at hand when producing your statement.

Additional Notes

Distributions

All efforts are made to process distributions declared at or before 30 June in the 2018 financial year. If a situation arises where income is received relating to this financial year that has not been credited to your account at the time this statement was issued it will appear on next year's statement.

Forex Gains/Losses

If you have dealt in foreign currency or even purchased or disposed of an international security since 8 May 2017 you may have a foreign exchange (forex) gain/loss that needs to be considered for your income tax position.

The information below provides a general explanation of the tax implications relating to forex gains/losses and assumes that you hold the investment on capital account. This is not a substitute for tax advice and where applicable independent taxation advice should be sought.

The ordinary tax rules relating to forex gains/ losses are contained in Division 775 of the Income Tax Assessment Act 1997. Under these rules forex gains/losses can arise if you have a forex realisation event (FRE).

A FRE can arise in a number of circumstances including:

- the sale of international securities on a deferred settlement basis;
- the purchase of international securities on a deferred settlement basis;
- the disposal of foreign currency; and
- the payment/withdrawal of foreign currency from a bank account.

Generally, under Division 775 forex gains are required to be included in your assessable income, whereas forex losses may able to be claimed as a deduction. Any such amounts are detailed in Schedule 6 – Realised Gains/Losses, Section 1 – Income Gains/Losses.

The main exception to this rule is where the gain/loss has arisen in connection with the acquisition/disposal of an international security on a short term deferred settlement basis. This will be the case if the time for settlement of the security occurs less than 12 months after the trade/ contract date.

Where this exception applies the forex gain loss will either be recognised as a separate CGT event, or cause the tax cost base of the international security acquired to be increased or decreased.

If you have made any forex gains/losses that reduced/ increased the tax cost base of your international securities, the required adjustments to your tax cost bases are reflected in the calculations displayed in Schedule 6 – Realised Gains/Losses, Section 2 – Realised Capital Gains/Losses.

Franking Credits

We have assumed that you are a 'Qualified Person' in relation to the shares that have paid franked dividends. That is, you have held your investment in the shares for at least 45 days at risk, and therefore are entitled to the franking credit.

Please note we do not track your eligibility to claim franking credits - it is your responsibility to ensure you are eligible before making a claim.

Insurance Premiums

Insurance premiums charged to your account are included on Schedule 5 – Deductions and expenses. We have assumed these to be non-deductible unless the entity is a Self-managed Superannuation Fund. You should seek professional tax advice to determine the portion of insurance premiums for which you may be entitled to claim a tax deduction.

Legal Fees

We have assumed that any Legal Fees listed in Schedule 5 – Deductions and Expenses are tax deductible however you should seek your own taxation advice.

Non-Deductible and Deductible Expenses

We have assumed some expenses to be non-deductible for tax purposes, and therefore have not included these amounts on the Summary for taxable income, nor have they been applied to the cost base of any investments held within your account. All expenses charged to your account are included on Schedule 5 – Deductions and expenses. We encourage you to seek your own taxation advice in relation to the treatment of all deductions and expenses as there are limits to what you can claim depending on your entity type.

Prior Year Losses

Please note that you will have to adjust the amounts appearing in this Tax Statement if your portfolio is negatively geared outside the Netwealth Wrap Service, if you have other sources of income, current year losses or if you have prior year losses brought forward. Prior year losses have not been brought forward to this year's calculations as you may have offset these losses against gains from sources outside your account. You will need to keep your own records of any losses in this year or prior years if you wish to use them in future years.

Stapled Securities

Stapled Securities are typically two or more separate legal entities that for the purposes of buying, holding and selling are considered an investment in a single security. In terms of valuing the investment, they are also generally priced as one single security. As a general rule, the Netwealth Wrap Service refers to the asset by its trading name as they are traded on the Australian Securities Exchange (ASX).

All distributions received from stapled securities are presented as being received from the single entity. The income received will be detailed in the applicable section of Schedule 2 – Distributions and Dividends as detailed in the annual tax statement received from the entity.

Similarly, any disposals (or deemed disposals under the relevant capital gains tax provisions) of stapled securities are accounted for as being a disposal of a single security. For taxation purposes, each of the entities stapled together are separate legal entities. If you or your tax adviser believe that you require more information on any of the stapled securities that you may have disposed of during the financial year, please contact Netwealth.

Taxation of Financial Arrangement Regimes

As we are unable to determine whether these rules apply to you, we have not considered what impact these rules may have on your tax liability. You should seek your own independent taxation advice in relation to these rules.

Traditional Securities and Foreign Currency

Where the sale proceeds of a traditional security or foreign currency exceeds the cost base, the difference must be declared as assessable income.

Where the cost base of a traditional security or foreign currency exceeds the sale proceeds, the difference may, depending on the specific circumstances of the disposal/redemption, be claimable as a deductible loss.

Contact Netwealth for more
information about this or other
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