



2009 standard distribution statement: guidance notes for fund managers

Standard distribution statement for use by managed funds to report tax information to investors.

21 July 2020

Abbreviations

Purpose

The 2009 standard distribution statement is the format recommended by the Tax Office and the Investment and Financial Services Association (IFSA) for disclosure by managed funds of tax information to resident individuals for completion of 2009 tax returns, relevant schedules and other requirements.

The 2009 standard format has been developed to help reduce any confusion experienced by managed fund investors in completing their tax returns. The standardisation of terms and presentation used in trust distribution statements to unit holders should promote clarity and consistency. The work of the Australian Shareholders Association and the Australian Independent Retirees Association in originally helping to develop this agreed format is acknowledged.

The 2009 standard distribution statement has amounts included as examples, which are referred to in the guidance notes that follow the statement.

The 2009 version has been updated to reflect law changes and slightly modified to further assist resident individuals complete their tax

returns.

Abbreviations

AIIR	annual investment income report
CGT	capital gains tax
IFSA	Investment and Financial Services Association
ITAA 1936	<i>Income Tax Assessment Act 1936</i>
ITAA 1997	<i>Income Tax Assessment Act 1997</i>
TFN	tax file number

Purpose

These notes have been prepared to help those involved in the preparation of fund manager distribution statements to understand the basis on which the 2009 standard distribution statement format has been determined, and the rationale behind the various items disclosed on the statement.

Basis of standard distribution statement



Basic structure



Standard distribution statement



Guidance notes



Basis of standard distribution statement

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The standard format does not purport to deal with all possible scenarios that a fund manager may encounter. Where the funds' circumstances are outside those shown in the standard format, additional information or requirements need to be considered. For example, indexed capital gains may need to be included.

Fund managers may delete lines that are not relevant to their particular circumstances. For example, if there is no foreign income, the lines for foreign income may be deleted. Also, if there is no capital gain or tax-deferred payments, Part B may be deleted, but we recommend that the fund manager includes a note advising that Part B is not shown as it is not applicable.

The format is based on the standard information needs of a resident individual unit holder in a unit trust operated by the funds management industry. The circumstances are relevant to those unit holders who hold units on capital account and where distributions labelled as 'non-assessable amounts' are not capital gains or ordinary income of the unit holder. It is also assumed that the unit holder is a resident for the whole of the year of income.

Fund managers should apply relevant provisions of the income tax law in preparing the taxation information in the distribution statement, in particular Division 6 of Part III of the *Income Tax Assessment Act 1936* (ITAA 1936). Trustees should carefully consider the specific facts and circumstances applying to the trust, especially in determining the nature of distribution components, such as the characterisation of gains on assets advised to unit holders.

The 2009 standard distribution statement is current as at 2 June 2009 and is issued at this time to allow the necessary system changes to be implemented by fund managers before 30 June 2009 for 2009 income year reporting. If subsequent changes are necessary we will discuss these with industry bodies.

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Basic structure

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The basic structure consists of three parts.

Part A of the 2009 standard distribution statement explains where amounts are shown on the *Tax return for individuals (supplementary section) 2009*.

Part B explains the components of a distribution which investors may need to know to work out their net capital gain or capital loss and specifically provides the CGT concession amount. It also includes tax-deferred amounts required to adjust the cost base and reduced cost base of their units.

For investors with straightforward circumstances the information in Parts A and B focusing on specific labels at items **13**, **18** and **20** should be sufficient to complete their tax return.

Part C allows a reconciliation of the net cash amount distributed to the unit holder and provides information relevant to adjustments to the cost base and reduced cost base. It includes all non-assessable amounts - CGT concession, tax-exempted, tax-free and tax-deferred amounts.

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2009 tax return information for the year ended 30 June 2009

Part A: Summary of 2009 tax return (supplementary section) items

The labels at items on the tax return are the white letters inside coloured boxes on the *Tax return for individuals (supplementary section) 2009*.

Tax return (supplementary section)	Amount	Tax return label
Non-primary production income	165	13U
Other deductions relating to distributions	4	13Y
Franking credits	30.00	13Q
Credit for tax file number (TFN) amounts withheld	10.00	13R
Total current year capital gains	225	18H
Net capital gain	155	18A

Assessable foreign source income	220	20E
Other net foreign source income	220	20M
Foreign income tax offsets (see Note)	38	200

Note: If your total foreign income tax offsets from all sources for the year do not exceed \$1,000 then you can claim this amount in full. Otherwise, you will need to refer to the publication *Guide to foreign income tax offset rules* (NAT 72923) to work out your entitlement.

Part B: Capital gains tax information - additional information for item 18

Grossed up amounts

Capital gains - discounted method	140
Capital gains - other method	85
Total current year capital gains	225
Capital gains tax (CGT) concession amount	70
Tax-deferred amounts	30

Part C: Components of distribution

Table 1: Australian income

Australian income	Cash distribution	Tax paid or tax offsets	Taxable amount
Dividends: franked amount	\$70	\$30	\$100
Dividends: unfranked amount	\$60	-	\$60

Interest	\$20	-	\$20
Other income	\$15	-	\$15
Less other allowable trust deductions	-\$30	-	-\$30
Non-primary production income (A)	\$135	\$30	\$165

Table 2: Capital gains

Capital gains	Cash distribution	Tax paid or tax offset	Taxable amount
Discounted capital gain	\$65	\$5	\$70
Capital gains tax (CGT) concession amount	\$70	-	\$0
Capital gains - other method	\$83	\$2	\$85
Distributed capital gains (B)	\$218	\$7	(Total 225)
Net capital gains	-	-	\$155

Table 4: Other non-assessable amounts

Other non-assessable amounts	Cash distribution	Tax paid or tax offsets	Taxable amount
Tax-exempted amounts	\$25	-	-

Tax-free amounts	\$15	-	-
Tax-deferred amounts	\$30	-	-
Gross cash distribution	\$612	-	-

Table 5: Other deductions from distribution

Other deductions from distribution	Cash distribution	Tax paid or tax offsets	Taxable amount
TFN amounts withheld	-\$10	-	-
Other expenses	-\$4	-	-
Net cash distribution	\$598	-	-

For non-residents: While this statement does not address all the needs of a non-resident investor, if you are a non-resident then you are advised that the capital gains amount on which you are liable to Australian tax is that relating to taxable Australian real property - the TARP amount. [xx.xx]#% of the [Discount capital gain/Capital gains - other method]# amount is the TARP amount.

The tax offset is only available to non-residents in circumstances where the foreign income distributed to the non-resident is taxed as assessable income in Australia.

The bracketed items - % and the type of capital gain - are to be determined by the fund manager with the brackets, this note and the # not forming part of the statement.

Guidance notes

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Some funds have the practice of providing a consolidated statement for investors. The Tax Office neither approves nor disapproves of this practice. However, it does request that where a consolidated statement is provided that a separate statement is provided for each fund that aligns with what is reported in the annual investment income report (AIIR). That is, where there are three AIIRs for three unit trusts then there will be three statements in addition to the consolidated statement.

Part A: Summary of items on the Tax return for individuals (supplementary section) 2009



Part B: Capital gains tax information



Part C: Components of a distribution



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Part A: Summary of items on the Tax return for individuals

(supplementary section) 2009

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1	The references in Part A are to the <i>Tax return for individuals (supplementary section) 2009</i> .
2	U item 13 - Non-primary production income Unit holders include their share of franked dividends and their share of franking credits at this item. Net capital gains and foreign income are not shown here. Include an unfranked dividend paid out of conduit foreign income in Dividends: unfranked amount which forms part of the Non-primary production income.
3	Y item 13 - Other deductions relating to distributions Unit holders show the total of deductible expenses they incurred during the income year at this item. 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.
4	Q item 13 - Franking credits Unit holders show their share of franking credits from franked dividends at this item. Include cents.
5	R item 13 - Credit for TFN amounts withheld At this item unit holders show their share of any credit for TFN amounts withheld from interest, dividends and unit trust distributions paid or payable, in accordance with sections 12-140 and 12-145 of Schedule 1 to the <i>Taxation Administration Act 1953</i> . Include cents.
6	S item 13 - Credit for tax paid by trustee Part A of the standard distribution statement does not provide for where a managed fund trustee will be assessed under section 98, for example, subsection 98(1) of the ITAA 1936 in respect of beneficiaries under a legal

	disability (includes beneficiaries under 18 years old). At this item unit holders show their share of any credit for tax paid or payable by the trustee. Include cents.
7	<p>H item 18 - Total current year capital gain A item 18 - Net capital gain</p> <p>The components of these items are set out in Part B. Unit holders need to gross up their cash distribution by the amount of any tax paid on capital gains (for example, foreign tax on foreign net capital gains). It is important to note that an individual unit holder who has capital losses will not simply be able to transfer the net capital gain amount from Part A to their tax return. Fund managers may wish to refer investors in these circumstances to our publications <i>Guide to capital gains tax 2009</i> (NAT 4151) or <i>Personal investors guide to capital gains tax 2009</i> (NAT 4152), or provide details in their own explanatory material.</p> <p>Note: Some funds complete this with a 'Note' where the investor has sold units during the year. Regardless of whether the investor has sold units or not, the relevant share of net capital gain as a component of the net income should be clearly shown here. Separate to this information on the standard distribution statement, funds may provide other information for the unit holder relevant to the sale of their units.</p>
8	<p>Item 19 - Foreign entities</p> <p>Part A of the standard format assumes that there is no attributed foreign income of the trust such that the information requested at item 19 of the <i>Tax return for individuals (supplementary section) 2009</i> is not applicable to the managed fund investment. If this is not the case, this information should be provided to unit holders.</p>
9	<p>E item 20 - Assessable foreign source income M item 20 - Other net foreign source income</p> <p>Unless the fund has expenses that have to be applied against the assessable foreign income or has net foreign rent (which is shown at R item 20), these amounts will be the same.</p>
10	<p>O item 20 - Foreign income tax offsets</p> <p>For many small investors the \$1,000 de <i>minimus</i> rule will apply and they will not need to do any calculations. The fund won't know if an investor can use the de <i>minimus</i> rule. If a fund has paid tax on foreign source income to overseas tax authorities then the following additional information will be required in case the investor has to calculate their foreign income tax offset entitlement:</p>

- the foreign tax paid on capital gains included in the net capital gain, including details of the components of the net capital gain to which the tax relates
- the foreign tax paid on non-assessable non-exempt income, namely attributed income under section 23AI of the ITAA 1936 and attributed foreign investment fund income under section 23AK of the ITAA 1936.

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Part B: Capital gains tax information

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Capital gains

These items provide tax figures for the break up of H item 18 Total current year capital gains shown in Part A. They are also necessary for unit holders with capital losses to offset and to complete the Capital gains tax (CGT) schedule (NAT 3423).

We have assumed that the managed fund has no capital gains from collectables and the small business capital gains concessions are not applicable.

Line 1: Capital gains - discount method

This amount is the grossed-up discounted capital gain (that is, in our example, $\$70 \times 2$). It would help unit holders understand instructions and guides if the words 'grossed-up amount' were placed next to this figure.

Line 2: Capital gains - other method

This figure is taken from the tax amount column of the capital gains section in Part C.

Line 3: Total current year capital gains - shown in brackets in the taxable amount column in Part C

Line 4: Capital gains tax (CGT) concession amount. This figure is taken from the Cash distribution column in Part C.
Line 5: Tax-Deferred. This figure is taken from the cash distribution column of the Other non-assessable amounts section in Part C.

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Part C: Components of a distribution

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| 12 | <p>Australian income</p> <p>These details provide a break up of U item 13 Non-primary production income and the information is necessary for those investors who use the Application for refund of franking credits for individuals 2009 (NAT 4098 and NAT 4105).</p> <p>Show the net income for each item. The net income is either:</p> <ul style="list-style-type: none"> the gross income less expenses directly relevant to that income, or the gross income less expenses directly relevant to that income and indirect expenses that are apportioned against all income components. Expenses indirectly incurred in respect of deriving the income, for example, trust operating expenses can be shown here or separately at Less other allowable trust deductions. <p>The practice of offsetting indirect trust expenses against one type of income (for example, Dividends - franked amount) or successively against income types rather than apportioning the expense against all income components should be discontinued. The Less other allowable trust deductions item uses the same information as the Other</p> |
|----|---|

	trust deductions not included elsewhere field in version 8 of the annual investment income report.
13	<p>Discounted capital gain</p> <p>If the trust's capital gain has been reduced by the 50% discount show the part of the discounted capital gain that is included in the share of net income of the unit holder. The \$5 amount shown in the Tax paid or tax offsets column is the foreign tax paid.</p>
14	<p>CGT concession amount</p> <p>The CGT concession amount is identified as the amount referred to in subsection 104-71(4) of the <i>Income Tax Assessment Act 1997</i> (ITAA 1997). Frozen indexation amounts paid to the unit holder should not be shown as CGT concession amounts on the distribution statement. This amount comprises the non-assessable CGT discount amount paid to the unit holder. Also included is the amount of any capital losses (including unapplied net capital losses carried forward from previous years) applied by the trust (or another trust in the chain) to reduce capital gains made, which is reflected in the payment to the unit holder. Refer to items 1 and 7 in the table in subsection 104-71(4) of the ITAA 1997.</p> <p>Following amendments to sections 104-70 and 104-71 of the ITAA 1997, unit holders are not required to adjust the cost base of their units for these amounts if they were paid on or after 1 July 2001.</p>
15	<p>Capital gains - other method</p> <p>This item shows the part of the capital gain included in the share of net income of the unit holder where the trustee has not applied the indexation or discount method. This item, which is required to allow an investor to make choices about the order in which to deduct capital losses, forms part of the calculation of net capital gain, and is also relevant for unit holders preparing CGT schedules. The \$2 amount shown in the Tax paid or tax offsets column is the foreign tax paid.</p>
16	<p>Distributed capital gains</p> <p>This item represents the actual cash amount of capital gains distributed and includes the non-assessable CGT concession amount. It is calculated as the sum of the Cash distribution column for capital gains. This figure is not taken into account in working out the unit holder's net capital gain but it allows fund managers to reconcile the net cash distribution amount paid to the unit holder. The total Distributed capital gains (that is, the Cash distribution plus the Foreign income tax offset) equals the</p>

	Total current year capital gains in Part B.
17	<p>Net capital gain</p> <p>This item is the sum of the Taxable amount column of capital gains and represents the net capital gain under the various methods included in the share of net income of the unit holder. In our example, this is \$155, which is transferred directly to A item 18 on the Tax return for individuals (supplementary section) 2009 as discussed in Part A.</p> <p>Where the individual unit holder has no current year capital losses or prior year net capital losses, this figure can be used directly to complete A item 18. If the unit holder has capital losses to offset, they would need to refer to the Tax Office publication <i>Guide to capital gains tax 2009</i> or <i>Personal investors guide to capital gains tax 2009</i>.</p>
18	<p>Foreign income</p> <p>For the 2008-09 year funds may choose to consolidate the foreign income components into one line. Foreign capital gains are not assessable foreign income and should not be shown in this section of Part C but in the capital gains section.</p>
19	<p>Other non-assessable amounts</p> <p>The headings used are based on the terminology used in sections 104-70 and 104-71 of the ITAA 1997.</p> <p>'Tax-exempted amounts' are amounts referred to in subsection 104-71(1). Unit holders are not required to adjust either the cost base or reduced cost base of their units for these amounts.</p> <p>'Tax-free amounts' are amounts referred to in subsection 104-71(3). Unit holders are required to reduce the reduced cost base of their units by these amounts but not their cost base. These amounts now only include infrastructure borrowing amounts under section 159GZZZZE and exempt income arising from shares in a pooled development fund under sections 124ZM and 124ZN of the ITAA 1936.</p> <p>'Tax-deferred amounts' are amounts referred to in subsection 104-70(1) of the ITAA 1997. Unit holders are required to reduce both the cost base and reduced cost base of their units by these amounts. Building allowance amounts paid on or after 1 July 2001 are now treated as tax-deferred amounts.</p> <p>'CGT concession amounts' are shown in the capital gains section to allow reconciliation of capital gains.</p>
20	<p>Other amounts deducted from trust distribution</p> <p>TFN amounts withheld</p> <p>This item allows the cash amount to be reconciled in Part</p>

	<p>C.</p> <p>Other expenses</p> <p>This item allows the cash amount to be reconciled in Part C. This is used for expenses incurred by unit holders, for example, management fees, and not deductions allowable to the trustees that are taken into account in the net income calculation under section 95 of the ITAA 1936 and are discussed at paragraph 12 above.</p> <p>Only the deductible expenses component of this amount should feed through to Part A, Y item 13.</p>
27	<p>'Please retain this statement for income tax purposes.'</p> <p>The use of this wording also exempts the fund manager from the requirement to include the words 'Payment summary' on the distribution statement where TFN amounts have been withheld from the investment. Our position on this and other PAYG withholding payer issues was provided to IFSA on 21 December 2001.</p>

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