



2003 Standard trust distribution statement for managed funds

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

20 February 2020

Background

A Standard Distribution Statement for each year, beginning in 2002, has been developed for managed funds to report tax information to investors.

The statement has been developed as an initiative of the Tax Office and the funds management industry through its main representative body, the Investment and Financial Services Association (IFSA). The aim is to address some of the complexity and confusion experienced by many 'mum and dad' investors when faced with completing their tax return obligations for unit trust distributions. The Australian Shareholders Association and the Australian Independent Retirees Association have also provided valuable input into the design of the standard format.

The standard format is predicated on the usual tax information needs of a resident individual unit-holder in a unit trust operated by the funds management industry.

The Standard Distribution Statement has three parts:

- **Part A** is designed to directly highlight specific tax return information needed by an investor. For many investors, such as those without capital losses, this information should be sufficient to complete their tax return.

- **Part B** contains the information required by an investor to determine entitlements to foreign tax credits under Division 18, Part III, of the *Income Tax Assessment Act 1936*.
- **Part C** provides details of the components of the distribution. Investors need these details in certain circumstances, such as applying capital losses, and completing the capital gains tax (CGT) schedule, foreign loss quarantining and cost base adjustment information. Part C also allows a reconciliation of the net cash amount distributed to the unit-holder.

The 2002 Standard Distribution Statement was launched with IFSA on 12 March 2002. Guidance notes for fund managers have also been developed to explain the basis of the statement and the rationale for the various items on it.

IFSA strongly recommends the standard approach to its members.

The Tax Office expects that as fund managers adopt the recommended format, investors and practitioners will find it easier to complete the relevant tax return items for unit trust distributions because of the consistency of terms and presentation of trust distribution information.

For illustrative purposes, a sample format of the Standard Distribution Statement is set out for each year, together with the guidance notes.

Sample standard distribution statement



Guidance notes for fund managers



Guidance notes



Sample standard distribution statement

20 February 2020

2003 tax return information

Resident individual unit-holder for year ended 30 June 2003

Part A: Summary of 2003 tax return (supplementary section items)

Tax return (supplementary section)	Amount	Tax return label
Non-primary production income	\$165	12U
Other deductions relating to distributions	\$4	12Y
Imputation credits	\$30	12Q
Credit for TFN withholding credit	\$10	12R
Credit for tax paid by trustee	\$0	12S
Total current year capital gains	\$230	17H
Net capital gain	\$160	17A
Assessable foreign source income	\$220	19E
Other net foreign source income	\$220	19M

Part B: Foreign tax credit information – additional information for schedule Q19

Foreign income categories	Amount	Foreign tax paid
----------------------------------	---------------	-------------------------

passive income (see note)	\$235	\$37
other income	\$14	\$6

Note: Passive income includes foreign net capital gains and attaching foreign tax as follows:

Foreign income categories	Amount	Foreign tax paid
discount capital gains	\$16	\$5
other capital gains	\$44	\$7

Part C Components of distribution

Australian income	Cash distribution	Tax paid/offset	Taxable income
Dividends - franked	\$70	\$30	\$100
Dividends - unfranked	\$50	-	\$50
Interest	\$10	-	\$10
Other income	\$5	-	\$5
Non-primary production income	\$135	\$30	\$165

Capital gains

Australian income	Cash distribution	Tax paid/offset	Taxable income
Discounted capital gain	\$70	-	\$70

CGT concession amount	\$80	-	\$0
Capital gains - indexation method	\$60	-	\$60
Capital gains - other method	\$30	-	\$30
Distributed capital gain	\$240	-	-
Net capital gain	-	-	\$160

Foreign income

Australian income	Cash distribution	Tax paid/offset	Taxable income
Interest income	\$90	\$10	\$100
Modified passive income	\$85	\$15	\$100
Other assessable foreign income	\$14	\$6	\$20
Assessable foreign income	\$189	-	\$220

Other non-assessable amounts

Australian income	Cash distribution
Tax exempted amounts	\$25

Tax free amounts	\$15
Tax deferred amounts	\$30
less TFN amounts withheld	-\$10
less other expenses	-\$4
Net cash distribution	\$620

Additional capital gains information

Australian income	Cash distribution
Capital gains - discount method (grossed-up amount)	\$140
Capital gains - indexation method	\$60
Capital gains - other method	\$30
Total current year capital gains	\$230

PLEASE RETAIN THIS STATEMENT FOR INCOME TAX PURPOSES

17181

Guidance notes for fund managers

20 February 2020

Introduction

The 2003 standard format has been developed as a result of the concern of both the Tax Office and IFSA about the complexity and 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 is addressing these

difficulties by promoting consistency. The input of the Australian Shareholders Association and Australian Independent Retirees Association in developing this agreed format is also acknowledged.

The *2003 Standard Distribution Statement* is the format recommended by the Tax Office and IFSA for managed funds to disclose tax information to resident individuals to help them complete *TaxPack*, relevant schedules and other requirements.

Purpose

These notes are prepared to assist those involved in preparing fund manager distribution statements to understand the basis on which the *2003 Standard Distribution Statement* format has been determined, and the rationale behind the various items disclosed on the statement.

Basis of standard distribution statement

The standard format does not purport to deal with all possible scenarios a fund manager may encounter. Where a fund's circumstances are outside those shown in the standard format, additional information or requirements need to be considered.

The format is predicated on the standard information needs of a resident individual unit-holder in a unit trust operated by the funds management industry. 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 tax information in the distribution statement, in particular Division 6 of Part III of the *Income Tax Assessment Act 1936* (ITAA 1936).

The 2003 Standard Distribution Statement is current at 6 May 2003. It was issued at this time to enable fund managers to implement the necessary systems changes before 30 June 2003 for 2003 income year reporting. If subsequent changes are necessary, the Tax Office will discuss these with industry bodies.

Basic structure

Part A of the *2003 Standard Distribution Statement* is designed to directly highlight the 2003 tax return (supplementary section) items

12, 17 and 19 required to be completed by an investor in a managed fund. For investors with straightforward circumstances, the information in part A should be sufficient to complete their tax return.

Part B contains the specific information required by a unit-holder to determine their foreign tax credit entitlement in accordance with the ITAA 1936.

Part C provides details of the components of the distribution made that investors require in certain circumstances, such as for applying capital losses, the CGT schedule, foreign loss quarantining, cost base adjustment information and to allow a reconciliation of the net cash amount distributed to the unit-holder.

17181

Guidance notes

20 February 2020

Part A Summary of 2003 tax return (supplementary section) items

1. The references in part A are to the 2003 tax return for individuals (supplementary section).
2. Label 12U - Non-primary production income

This item excludes net capital gains and foreign income. It includes the unit-holder's share of franked dividends, as well as the share of imputation/franking credits. The standard format also assumes that there is no primary production activities carried out by the managed fund.

3. Label 12Y - other deductions relating to distributions

This is to be used for deductible expenses incurred by unit-holders outside of the net income calculation per section 95 of the ITAA 1936. Ordinarily, deductible expenses would be netted off against the relevant class of income in the trust estate.

4. Label 12Q - Imputation credits

This shows the unit-holder's share of imputation/franking credits from franked dividends. Include cents.

5. Label 12R - Credit for TFN amounts withheld

This shows the unit-holder's share of credit for tax file number 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 *Taxation Administration Act 1953*. Cents should be included.

6. Label 12S - Credit for tax paid by trustee

This includes the tax paid or payable by the trustee, including cents. For example, where the trustee is assessable under subsection 98(1) of the ITAA 1936 in respect of beneficiaries under the age of 18 years or other legal disability.

7. Label 17H - Total current year capital gains

Label 17A - Net capital gain

The components of these items are set out in part C. It is important to note that an individual investor 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 the Tax Office publications *2003 Guide to capital gains tax* or the *2003 Personal investors guide to capital gains tax*, or provide details in their own explanatory material.

8. Item 18 - Foreign entities

Part A of the standard format assumes there is no attributed foreign income of the trust, so the information requested at item 18 of the tax return supplement is not applicable to the managed fund investment. If this is not the case, this information should be provided to unit-holders.

9. Label 19E - Assessable foreign source income

Label 19M - Other net foreign source income

We would expect that part A of the trust distribution statement would show the amounts for these labels to be the same. If the unit-holder has foreign income deductions, they should follow the instructions in *2003 TaxPack supplement*.

Part B Foreign tax credit information



Part C Components of distribution



17181

Part B Foreign tax credit information

20 February 2020

10. This part contains information relevant to determining the Australian resident unit-holder's entitlement to foreign tax credits under Division 18, Part III of the ITAA 1936.
11. The foreign tax credit entitlement needs to be determined by the unit-holder separately for each class of foreign income. The foreign tax credit for each class cannot be more than the Australian tax applicable to that class of taxable foreign income. Due to these requirements, part A cannot simply identify the unit-holder's share of foreign tax paid by the trustee as the amount to claim at label 190 (Foreign tax credits) in the unit-holder's return.

Full details are set out in the Tax Office publication *How to claim a foreign tax credit*.

12. Foreign income categories.

Part B assumes that 'passive income' and 'other income' are the relevant foreign income categories for FTC purposes under subsection 160AF(7) of the ITAA 1936 for managed funds. If this is not the case then additional information will need to be provided.

13. Passive income is defined in section 160AEA of the ITAA 1936.

14. Foreign capital gains

Fund managers should show foreign capital gains and attached foreign tax paid in part B only if the capital gain is deemed to be foreign source income under subsection 160AE(2) of the ITAA 1936.

Therefore, do not show a foreign capital gain in part B if:

15.

- no foreign tax was paid in relation to that capital gain, or
- the foreign capital gain is not included in the net income of the trust estate.

16. The break-up of the foreign net capital gains that are included in passive income is necessary for determining the unit-holder's foreign tax credit entitlement as per subsection 160AE(2) and section 160AF of the ITAA 1936. For example, the unit-holder may have offset losses against gross capital gains such that no foreign capital gain is ultimately included in their assessable income as per subsection 160AE(2). In these circumstances, the unit-holder would have no foreign tax credit entitlement in relation to their share of the foreign tax paid by the trustee.

17181

Part C Components of distribution

20 February 2020

17. Australian income

These details provide a break-up of label 12U (Non-primary production income) and information necessary for those investors using the short claim *Refund of imputation credit* form.

18. Capital gains

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

The information in this section is necessary to allow the unit-holder to offset any capital losses against the grossed-up discount capital gain, to make choices about the order in which to deduct capital losses, and to provide the details for those investors required to complete the CGT schedule.

It is important to remember that foreign capital gains are shown in this section and not as foreign income in part C. However, foreign capital gains that are deemed foreign income for foreign tax credit purposes are also shown in part B (see part B notes above).

19. Line 1: Discounted capital gain

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 unit-holder's share of net income.

The figures used as an example show \$10 of trust expenses being offset against the discounted capital gain. This is to illustrate that the gross-up rules in Subdivision 115-C of the *Income Tax Assessment Act 1997* (ITAA 1997) effectively require the line 1 figure to be multiplied by 2 (and not added to the CGT concession amount in line 2). See further explanation below.

20. Line 2: CGT concession amount

The CGT concession amount is identified as the amounts referred to in subsection 104-71(4) of the 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 capital loss or net capital loss applied by the trust (or another trust in the chain) to reduce capital gains made that is reflected in the payment to the unit-holder (see items 1 and 7 of the table in subsection 104-71(4)).

Following amendments to sections 104-70 and 104-71, unit-holders

are not required to adjust the cost base of their units for these amounts paid on or after 1 July 2001.

21. Line 3: Capital gains - indexation method

This line item shows the part of the capital gain calculated by the trustee under the indexation method that is included in the unit-holder's share of net income. 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 CGT schedule preparers.

22. Line 4: Capital gains - other method

This line item shows the part of the capital gain included in the unit-holder's share of net income where the trustee has not applied the indexation or discount methods. 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 CGT schedule preparers.

23. Line 5: Distributed capital gains

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 lines 1 to 4 of the cash distribution column for capital gains. This figure is not a tax figure but it allows fund managers to reconcile the net cash distribution amount paid to the unit-holder.

In our example, line 5 - Distributed capital gains is \$240 (being \$70 + \$80 + \$60 + \$30). The difference between the \$240 received and \$230 total current year capital gains is due to the grossed-up discounted capital gain (\$140) being \$10 less than the \$150 discount capital gains actually received by the unit-holder (that is, the \$10 expenses referred to in paragraph 18 above).

24. Line 6: Net capital gains

This item is the sum of line items 1, 3 and 4 of the taxable income column of capital gains. It represents the net capital gain under the three methods included in the unit-holder's share of net income. In our example this is \$160, which feeds directly into label 17A of part A.

Where the individual unit-holder has no current year capital losses or prior year net capital losses, this figure can be used directly for completing label 17A. If the unit-holder has capital losses to offset, investors would need to refer to the Tax Office publications *2003 Guide to capital gains tax* or *2003 Personal investors guide to capital gains tax*.

25. Foreign income

This section is relevant for unit-holders applying the foreign loss quarantining provisions under section 160AFD of the ITAA 1936. The classes shown are those considered relevant for a managed fund. If this is not the case, additional information should be provided. The classes of assessable foreign income and definitions are set out in subsections 160AFD(8) and (9) respectively.

It should be noted that foreign capital gains are not 'assessable foreign income' and should not be shown in this section of part C, but are included under capital gains.

The foreign tax credit amounts are shown only to reconcile the cash and taxable amount as foreign tax credit entitlements are determined under part B.

26. Other non-assessable amounts

The headings used are based on the terminology used in sections 104-70 and 104-71 of the ITAA 1997 following enactment of *Tax Laws Amendment Act (No 5) 2001*.

'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.

'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 (references are to the ITAA 1936).

'Tax-deferred amounts' are amounts referred to in subsection 104-70(1). Unit-holders are required to reduce both the cost base and reduced cost base of their units by these amounts. It should be noted that building allowance amounts paid on or after 1 July 2001 are now treated as tax-deferred amounts.

'CGT concession amounts' are shown in the capital gains section to allow reconciliation of capital gains.

27. less TFN amounts withheld

This item allows the cash amount to be reconciled in part C.

28. less other expenses

This item allows the cash amount to be reconciled in part C.

This is to be used for expenses incurred by unit-holders outside of the net income calculation per section 95 of the ITAA 1936.

Ordinarily, deductible expenses would be netted off against the relevant class of income in the trust estate.

Only deductible expenses should feed through to part A, label 12Y.

29. Additional capital gains information

These items provide tax figures for the break-up of label 17H (Total current year capital gains) shown in part A. They are also necessary for unit-holders with capital losses to offset and for completion of the CGT schedule.

Line 1: Capital gains - discount method

This amount is the grossed-up discounted capital gain (in our example, $\$70 \times 2$). It would assist in understanding of the instructions and guides if the words 'grossed-up amount' were placed adjacent to this figure.

Line 2: Capital gains - indexation method

This figure is taken from the taxable income column of the capital gains section of part C (that is, line 3).

Line 3: Capital gains - other method

This figure is taken from the taxable income column of the capital gains section of part C (that is, line 4).

30. 'Please retain this statement for income tax purposes'

The use of this wording also exempts the fund manager from the requirement to include the words 'Payment summary' on the distribution statement where tax file number amounts have been withheld from the investment. The Tax Office position on this and other PAYG withholding payer issues was provided to IFSA on 21 December 2001.

Issued by the Tax Office on 6 May 2003.

17181

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).