



# Disclosure of the Franked Dividend and Franking Credit gross up on the 2009 Annual Tax Statement

This document has been prepared to provide further information in relation to the disclosure of the Franked Dividend and Franking Credit gross up on the 2009 Annual Tax Statement. It does not constitute tax or financial advice and investors should seek professional independent taxation advice.

To assist certain Australian resident individual investors in completing their income tax return for the year ended 30 June 2009, the Annual Tax Statement has been designed so that amounts under the heading 'Tax Return Components' correspond to amounts to be transferred to the appropriate label on the 2009 Tax Return Extract.

The Annual Tax Statement is prepared on the basis that the Australian resident investor is required to include in their assessable income their proportionate share of the Franked Dividend grossed up for the Franking Credit, accordingly, this is reflected in the Income Component and the Tax Return Component amount linked to item 13U of the Tax Return Extract.

## Why does the sum of the Distribution Components still equal the cash distribution?

The Distribution Components on the Annual Tax Statement do **not** necessarily reflect components that have been paid out in cash. Instead, these components reflect each investor's share of the classes of assessable income that the Trust has derived, which must be included in the investor's own assessable income ("the Tax Assessable Components"), and the Tax Deferred Income component which is not assessable.

Whilst the Franking Credit is a non-cash item that has been included in the Income Component, the sum of all the Distribution Components still equals the Net Trust Distribution (ie the gross cash distribution). This is the case because the Tax Deferred Income Component reflects the difference between the gross cash distribution received and the Tax Assessable Components, being the amounts that must be included in the investor's assessable income, which includes the Franked Dividends grossed up for the Franking Credit.

The Tax Deferred Income Component will reduce the CGT cost base of units in the Trust held by the investor.

If an investor is not required to include the Franking Credit in their assessable income, it may be appropriate that the Income Component and Tax Return Component amount linked to item 13U be reduced by the amount of the Franking Credit, and the Tax Deferred Income Component increased by the same amount.

## Notes for Fund Managers and Custodians

As outlined above, the Annual Tax Statement has been designed to assist certain Australian resident individual investors in completing their 2009 Individual Tax Return.

However, we understand that the disclosure of the Franked Dividend grossed up for the Franking Credit may not easily reconcile to the way some fund management systems are set up, which automatically gross up the Franked Dividend by the amount of the Franking Credit. In this situation, it may be appropriate that the Income Component be reduced by the amount of the Franking Credit, and the Tax Deferred Income Component increased by the same amount, noting that investors may still need to manually adjust the Tax Deferred Income Component where the Franking Credit is included in their assessable income.

## Disclaimer

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