

# Wrap Tax Guide – Self Managed Super Fund

## Wrap Tax Policy Guide

*For the year ended 30 June 2020*

## Part 1

### General Information

Part 1 of the Wrap Tax Guide outlines the tax assumptions and policies Wrap Services has used to prepare the Tax Statement of the Self Managed Super Fund (the Fund). It will help you to understand the Fund's statement and the detailed supporting schedules which have been provided as part of a reporting service to assist in the preparation of the Fund's income tax return.

This commentary is only intended as a general guide and does not represent tax advice. Some of the assumptions and policies adopted may not apply to the Fund's circumstances and you may need to use different tax treatments.

We strongly recommend you consult your financial accountant or tax adviser regarding the Fund's tax position, particularly if the Fund holds assets outside of Wrap or if you are not sure if the tax policies and assumptions we have used are appropriate to the Fund's circumstances. You should provide them with this Guide, the Fund's Tax Statement and detailed supporting schedules. Please retain the Tax Statement and this Guide for income tax purposes.

If a tax policy or assumption we have adopted for a particular item is not applicable to the Fund's circumstances, you should recalculate that item and use the new amount instead of what is shown on the Tax Statement.

### General tax policies and assumptions used

Following is a list of all the tax policies and assumptions used in the preparation of the Fund's Tax Statement.

1. Wrap Services have assumed that the Fund is an Australian resident, Complying Superannuation Fund under the Superannuation Industry (Supervision) Act 1993 (SIS Act). If the Fund has advised Wrap services that it is not a complying superfund, this has been taken into account in preparing the Fund's Tax Statement.
2. Wrap Services have assumed that all assets in the portfolio were acquired on capital account other than specific securities that are taxed on revenue account under the Income Tax Assessment Acts 1936 and 1997. We have generally performed the classification based on information provided on the Australian Securities Exchange (ASX) website.

#### **The assets held in this portfolio may comprise:**

- Units in unlisted trusts managed by various fund managers;
- Securities listed on the ASX;
- Holdings in Westpac Term Deposits; and
- Cash held in the Cash Account.

#### **Important Note**

The Fund's Tax Statement may include income received from the Fund's Wrap investments that have been deposited into a bank account other than the Cash Account. Make sure the Fund does not include this income in its tax return twice. The Fund's Tax Statement does not include income deposited into the Cash Account from non-Wrap related investments.

3. The Fund's taxable income from the account has been calculated for the current year. It does not take into account:
  - Any prior year losses (both Australian and foreign) or income from sources outside of Wrap Services;
  - Whether any income is exempt pension income; or
  - Any non-deductible expenses related to exempt pension income.

Prior year net capital losses have not been taken into account in working out the Fund's capital gain.

4. Transferred assets — Your adviser has supplied Wrap Services with the purchase date and original cost of each security transferred into the Fund's Wrap account.

*The gain or loss calculated for any parcel the Fund has sold will be incorrect if either the purchase date or original cost supplied to Wrap Services is incorrect. Please review all disposals to ensure that the purchase date and original cost is correct for each parcel sold.*

The Fund's Tax Statement does not include any income that the Fund was entitled to or received from an investment prior to it being transferred into the Fund's Wrap account.

5. Each security you have sold has been automatically allocated on a Minimum Gain (Min Gain) basis, unless you have selected an alternative allocation method. The Min Gain method means that sales are allocated to the investment parcel that delivers the lowest estimated taxable gain. If you have selected an alternative allocation method on Wrap, such as FIFO (first in first out) or Maximum Gain, this is what will be reflected in the Fund's Tax Statement.
6. All buys and sells have been based on trade date, irrespective of when settlement occurred.
7. Some transaction based fees, including any GST amounts paid, have been included as part of the cost base of the security. The Fund may need to include other costs incurred outside of Wrap that we have not included in the cost base to calculate the correct gain or loss for tax purposes. If the Fund has advised Wrap Services that it is registered for GST we have taken into account the Reduced Input Tax Credit (RITC) the Fund would have received in calculating the cost base.

8. Wrap Services has not applied the Taxation of Financial Arrangements (TOFA) legislation to determine the tax treatment of gains and losses from financial arrangements in the Fund's portfolio for the current year. If you believe that these provisions apply to the Fund's investments, please consult the Fund's accountant or tax adviser to confirm the applicable tax treatment.
9. The Fund's investment in a security may be affected by corporate actions undertaken by the issuer. Where available, Wrap Services will apply the tax treatments as advised in associated Australian Taxation Office (ATO) rulings or independent advice accompanying the corporate action. You should note that there are a variety of corporate actions with differing tax consequences and we recommend you consult the Fund's accountant or tax adviser if a corporate action applies to the Fund.

### Can any self managed super fund use the Tax Statement and this Guide?

While most self managed super funds should be able to use the Tax Statement (including the detailed supporting schedules) and this Guide to complete their tax return, there are some instances where the Tax Statement and Guide may not be appropriate.

For example:

- The Fund's status under the SIS Act is non-complying or has changed from being non-complying and vice versa.
- The Fund is a non-resident of Australia for income tax purposes.
- The Fund acquired its investments through a deceased estate.
- There are some instances where a tax policy or assumption we have applied for a particular item is not applicable to the Fund's circumstances. You should recalculate the item and use the new amount instead of what is shown on the Fund's Tax Statement. Such instances include where:
  - The Fund wants to allocate part of its allowable deductions against its foreign income.
  - The Fund has unrecovered capital losses.
  - The Fund has disposed of a deferred purchase agreement and/or instalment warrant during the year ended 30 June 2020.
  - The Fund held Division 16E securities (securities issued at a discount of more than 1.5% with a term of greater than 12 months).

## Tax policies and assumptions that relate to different types of income and deductions as set out in the Tax Statement

### Schedule A – Interest

#### Australian interest income

1. Interest income from the Cash Account has been included as assessable income on the date of receipt.
2. Coupon interest from listed securities has been included in assessable income on a 'receipts basis'. The coupon 'pay' date has been treated as the relevant date for this purpose.
3. The Fund has the option of treating infrastructure bond interest as either taxable and rebateable or exempt from tax. The infrastructure bond interest has been treated as taxable and rebateable on the Fund's Tax Statement
4. Securities issued at a discount of more than 1.5% with a term of greater than 12 months would be subject to the accruals taxation regime under Division 16E of the Tax Legislation. We have not applied Division 16E of the Tax Legislation. If the Fund holds these securities, the Fund should recalculate this item and use the new amount instead of what is shown on the Fund's Tax Statement.
5. Interest income received from a Term Deposit held on your Wrap account will be reported on Schedule A of your Tax Statement. The tax component for this income will be reported as 100% interest and will be assessable on a cash basis.

### Schedule B – Dividends

#### Australian dividend income

1. Dividend income has been included in assessable income on a 'paid basis'. The dividend 'pay' date has been treated as the relevant date for this purpose.
2. In the detailed supporting Schedule B to the Tax Statement an 'unfranked CFI amount' represents an unfranked dividend received from an Australian company to the extent the dividend is declared to be Conduit Foreign Income (CFI). In the Tax Statement an unfranked CFI amount is included as part of unfranked dividends.
3. Unfranked dividends from Pooled Development Funds (PDFs) are treated as exempt from income tax. Franked dividends from PDF may be treated as either taxable with franking credits attached, or exempt – these have been treated on the Fund's Tax Statement as taxable.
4. Dividends from Listed Investment Companies (LICs) may include a 'LIC capital gain' component, a portion of which may be deductible to investors that are individuals, trusts, partnerships, complying superannuation funds or life insurance companies (where the shares are virtual pooled superannuation trust assets). The relevant deduction has been treated as a negative dividend in the Fund's Tax Statement.

### Franking Credits

The Fund must satisfy a number of conditions before it can obtain the benefit of franking credits.

1. Franking credits have been included in assessable income.
2. The '45 day rule' has been applied to determine the franking credits allowed. Broadly, the '45 day rule' requires the share or unit to which the franked distribution relates be held at risk for at least 45 days. The rules are complex and involve precise calculations. In performing the calculations we have assumed the shares and units have been held at risk and we have not taken into account any related payments.
3. The required holding period for preference shares is 90 days. We have only applied the '45 day rule' to any preference share dividends that the Fund received. The Fund may need to review its disposals in the remaining period to determine if it is entitled to the full amount of franking credits attached to preference share dividends. The Tax Statement shows any franking credits from trust distributions that are denied as a result of the '45 day rule' as an all owable deduction – 'franking credits denied'. The gross franking credits (prior to the application of the '45 day rule') is disclosed under Trust distributions – Schedule C – 'dividends – franking credits'.

In respect of direct shares, the franking credits disclosed in the Tax Statement under Dividends – Schedule B – 'franking credits' is net of the franking credits denied from the '45 day rule'.

4. The Fund may be allowed to use a benchmark test as an alternative to the '45 day rule'. We have not calculated the franking credits that would be denied using the benchmark test. If the Fund applied the benchmark test in prior years it will be required to use it again in the current year as the election to use the benchmark test is irrevocable.
5. Exploration companies may distribute exploration credits to shareholders under an incentive program known as the "Exploration Development Incentive". Australian resident shareholders who receive these credits may be entitled to a refundable tax offset.

If the Fund has received exploration credits either directly from an exploration company the Fund has invested in or indirectly from a managed fund that has invested in an exploration company, the Fund will receive a separate communication from us confirming the amount and how to disclose it in the Fund's tax return.

From 1 July 2013, investors should be aware that additional tax integrity measures were introduced that may impact on investors trading in cum and ex-dividend shares.

We recommend you consult with your tax adviser to determine whether these integrity measures impact you.

### Schedule C – Trust distributions

1. Income from trusts has generally been included in assessable income on a present entitlement basis. Income from Attribution Managed Investment Trusts (AMITs) has been included on an attribution basis and may include amounts that are not paid in cash. See the commentary on Attribution Managed Investment Trusts in Additional Information below.
2. Foreign income components have been grossed up for tax withheld.
3. Franking credits have been included in assessable income. For more information on franking credits, refer to the commentary under Schedule B above.
4. In the detailed supporting Schedule C to the Tax Statement (available only via the Wrap Desktop) an 'unfranked CFI amount' represents an unfranked dividend received from an Australian company to the extent that the dividend is declared to be CFI. In the Tax Statement an unfranked CFI amount is included as part of unfranked dividends.
5. Capital gain components are included as part of net capital gains in the Fund's Tax Statement. See the commentary on net capital gains under Schedule D. The break-up of the capital gains are included in the detailed supporting Schedule C to the Tax Statement (available only via the Wrap Desktop).

From 1 July 2019, withholding tax rules have been amended to remove concessional treatment for income that is attributable to non-concessional MIT income ("NCMI") and apply a 30% withholding tax rate to such income when paid to a non-resident.

A fund payment will be NCMI if it is attributable to income that is:

- MIT cross staple arrangement income;
- MIT trading trust income;
- MIT agricultural income;
- MIT residential housing income.

Under the applicable transitional rules, income that would have been NCMI but is not only because of the application of these transitional rules is excluded from NCMI.

If you have received non-primary production income that is NCMI or excluded from NCMI, it will be included in 'Other Australian income'. If you have received capital gains attributable to NCMI and excluded from NCMI, these will

be included in Schedule C in your capital gains from unit trust distributions.

### Schedule D – Net capital gains

#### Types of capital gains

1. For investments held for less than 12 months the capital gain is calculated without the benefit of indexation or the concession (discount).
2. (a) For investments held for at least 12 months and acquired on or before 30 June 1999, there are two ways that you can calculate capital gains:

#### (i) Discount method

For complying superannuation funds, only two-thirds of the capital gain calculated as the difference between the selling price and the cost of the investment is subject to tax.

#### (ii) Indexation method

This method calculates 'indexed capital gains' as the difference between the selling price and the cost of the investment, indexed for inflation to 30 September 1999.

- (b) For investments held for at least 12 months and acquired after 30 June 1999, the discount method must be used for complying superannuation funds.

#### Capital losses

If the Fund realises a capital loss on the disposal of its investment, this loss can be offset against capital gains the Fund made in that financial year or in subsequent financial years. Losses can be applied against either capital gains made on assets held for less than 12 months, the indexed capital gain or the discount capital gain. If the Fund is using the 'discount method' it must apply the loss against the capital gain before the discount percentage is applied.

#### How have the capital gain and loss amounts been calculated?

The capital gain and loss calculations are set out in the detailed supporting Schedule D of the Fund's Tax Statement.

1. For each parcel of units, we have compared what the Fund received when it disposed of its investment with the 'original cost' of the Fund's investment, reduced by 'cost base adjustments' and adjusted for the 'reduction factor'. In the explanation below we refer to the 'original cost' adjusted for these amounts as the cost base. We have assumed the Fund is complying.

#### 2. Definitions

##### – Original cost

Generally defined as the amount the Fund invested, including any fees and GST amounts paid when the Fund acquired its investment. If you have advised Wrap

Services that the Fund is registered for the GST, we have taken into account the RITC it would have received.

– **Cost base adjustments**

Includes ‘tax free’, ‘tax deferred’ and certain ‘CGT concession’ distribution components paid on the units disposed of. Also includes adjustments to the cost bases and reduced cost bases of the Fund’s units in AMITs in relation to income attributions that are not paid in cash.

– **Tax free amounts**

This component reduces the cost base when calculating a capital loss.

– **Tax deferred amounts**

This component reduces the cost base when calculating a capital gain or a capital loss.

– **CGT Concession amounts**

This component reduces the cost base when calculating a capital gain or loss for amounts received before 1 July 2001.

– **Reduction factor**

When the cost base is reduced by a CGT concession amount received before 1 July 2001, some or all of this adjustment may be offset by a reduction factor if capital losses were offset against the grossed up discounted capital gains from trust distributions prior to 1 July 2001. We have performed this calculation for the Fund taking into account current year capital losses prior to 1 July 2001 within Wrap.

If the Fund had applied prior year net capital losses or capital losses from sources outside Wrap, against the grossed up discounted capital gains from trust distributions prior to 1 July 2001, the reduction factor calculated by Wrap Services may need to be recalculated.

– **Reduced cost base**

$$\text{Cost base} - \left( \begin{array}{l} \text{Tax free} + \text{Tax deferred} + \text{CGT concession distribution components received prior to 1 July 2001} - \text{Reduction factor} \end{array} \right)^1$$

– **Adjusted cost base**

$$\text{Cost base} - \left( \begin{array}{l} \text{Tax deferred} + \text{CGT concession distribution components received prior to 1 July 2001} - \text{Reduction factor} \end{array} \right)^1$$

The ‘original cost’, ‘cost base adjustments’ and the ‘reduction factor’ are also shown on the Fund’s detailed supporting Schedule D.

3. Capital gain eligible for discount (discount method)

A capital gain ‘eligible for discount’ will occur when the amount the Fund received on disposal of its investment is greater than the ‘adjusted’ cost base. The difference between these two amounts will be shown in the ‘Optimal capital gains — Gains eligible for discount’ column and will be marked with an asterisk indicating that this is the base capital gain.

4. Capital gain not eligible for discount

A capital gain that is shown as ‘not eligible for discount’ will occur when the amount the Fund received on disposal of its investment is greater than the ‘adjusted’ cost base (a) if the units were held for less than 12 months or (b) indexed to the September 1999 quarter if the units were held for at least 12 months and acquired on or before 30 June 1999 (indexation method). The difference between these two amounts is shown in the ‘Optimal capital gains – Gains not eligible for discount’ and will be marked with an asterisk indicating that this is the base capital gain.

In addition, where the:

Reduced cost base	<	Amount received on disposal of the Fund’s investment	<	The ‘adjusted’ cost base, indexed to the September 1999 quarter if the units were held for at least 12 months and acquired on or before 30 June 1999, then:
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no capital loss or capital gain arises. Therefore no amount will be shown in either the ‘Capital losses’ column or the ‘Gains not eligible for discount’ column.

5. Capital gain under both the indexation and discount method

If the Fund held its investment for at least 12 months and acquired it on or before 30 June 1999, the capital gain on disposal has been calculated under both the indexation and discount methods.

The indexed capital gain is shown marked with an asterisk in the ‘Optimal capital gains position – Gains not eligible for discount’ column (refer 4 above). The discount capital gain is show marked with an asterisk in the ‘Optimal capital gains position – Gains eligible for discount’ column (refer 3 above). The gain shown here is before the discount percentage had been applied.

If the indexed capital gain is less than the ‘discounted capital gain’ (this is the gain after the discount percentage has been applied), the indexed capital gain will be ‘optimal’ and will be included in the column ‘Optimal capital gains position – Gains not eligible for discount’ without an asterisk and the discounted capital

gain will be reported as zero in the 'Optimal capital gains position – Gains eligible for discount'.

If the discounted capital gain is less than the indexed capital gain, initially the discounted capital gain will be 'selected', but this may change once capital losses are applied.

#### 6. Capital gains from trust distributions

Net capital gain components from trust distributions are included in the relevant column under the main heading of 'Optimal capital gains position'.

The total of non-discounted capital gain components are included in the 'Capital gain not eligible for discount' column. 2 × the total of discounted capital gain components are included in the 'Gains eligible for discount' column.

#### 7. Capital losses

A capital loss will occur when the reduced cost base is greater than the amount the Fund received on disposal. The difference between these two amounts is shown in the 'capital losses' column.

#### 8. Offsetting capital losses

In most cases, capital losses will be offset first against the total of capital gains included in the 'Optimal capital gains position — Gains not eligible for discount' column. If the losses are more than this, all discount capital gains initially 'selected' from the disposal of investments that were acquired on or before 30 June 1999 are reviewed and some or all of these gains are changed back to indexed capital gains.

Only enough discount capital gains are changed back to indexed capital gains to use up all capital losses. Losses are only applied against the total of capital gains included in the 'Optimal capital gains position – Gains eligible for discount' column when no more gains can be changed back to indexed capital gains.

In a very small number of cases, capital losses will be offset first against capital gain distribution components included in the 'Optimal capital gains position – Gains eligible for discount' column.

After all capital losses have been offset against capital gains, the discount percentage of 33⅓% is applied to any remaining capital gains included in the 'Optimal capital gains position — Gains eligible for discount' column.

Any unrecouped capital losses made in a prior year can be offset against any remaining indexed capital gains or discount capital gains, before the discount percentage is

applied. Prior year net capital losses have not been taken into account on this schedule or the Tax Statement.

A net capital loss resulting from the disposal of investments, if any, is shown on the Fund's Tax Statement. This loss can be used to offset any other capital gains made during the year. Capital losses that cannot be used in the current year can be carried forward to reduce capital gains made in future years.

#### **Disposal of units in a Pooled Superannuation Trust**

No capital gain or loss will arise on the disposal of units in a Pooled Superannuation Trust (PST) by a complying superannuation fund.

#### **Rollover relief**

Where available, we have generally applied CGT rollover relief based on the nature of the corporate action considered (see page 2 above). No capital gain has been calculated where the Fund was eligible for CGT rollover relief, eg scrip for scrip and/or demerger.

You should note that the CGT rules are complex; we recommend you consult your accountant or tax adviser to assist you in calculating your capital gains and losses.

#### **Cancellation of shares**

In certain circumstances, a capital loss may be realised at the time a liquidator or administrator makes a declaration that there is no likelihood that shareholders will receive any further distributions in respect of the shares they hold. The realisation of a capital loss at this time will generally precede any capital loss which would have been realised on cancellation of the shares upon liquidation.

#### **Unrealised Capital Gains Tax report**

The unrealised capital gains schedule uses 'ex-prices' to calculate the current market value as this report is provided for information purposes and is based on an accruals methodology. The ex-price is used to reflect the distributions that have already accrued to the Fund's portfolio. This differs to the 'cum-price' used on the Portfolio Valuation for 30 June 2020 which is provided for accounting purposes and is based on a cash methodology.

#### **Wrap Capital Protection**

This section applies to you if you held interests in the protection class of the BT Capital Protection Fund ('Wrap Capital Protection'). If you received a protection payment during the year, it may include a non-assessable (or 'tax-deferred') component and an assessable capital gain component. The assessable capital gain component will be reported in the 'Net capital gains from distributions' section as either a TARP or NTARP capital gain in the 'Optimal capital gains position – Gains not eligible for discount' or 'Optimal capital gains position – Gains eligible for discount' column. The tax-deferred component applies to reduce your cost base in the protection class, and a capital gain may arise if the protection payment you received

is greater than total protection acquisition costs you paid, generally, since the protection start date. The reduction of your cost base, as well as any capital gain that may arise, will be calculated and reported as if it were a partial disposal of your interest, next to 'BT Capital Protection Fund – Protection Class (APIR: BTA0417AU)' in the report. If your Wrap Capital Protection was cancelled or it reached the maturity date during the year, a capital loss may arise on the cancellation date or the maturity date, equal to your cost base at the time of cancellation / maturity. This is generally the total protection acquisition costs you paid since the protection start date, as adjusted for any tax-deferred amounts received. The cancellation / maturity will be calculated and reported as a disposal of your interest, next to 'BT Capital Protection Fund – Protection Class (APIR: BTA0417AU)' in the report. If you had Wrap Capital Protection at the year end, the total protection acquisition costs paid, generally, since the protection start date, will be reported as an unrealised capital loss.

## **Schedule E – Foreign income**

### **Foreign dividends**

A number of securities listed on the ASX are in foreign companies. Dividends paid on shares in these companies are foreign dividends. The dividend is grossed up for any withholding tax deducted. If Australia has an income tax treaty with the relevant country, a credit for the withholding tax is generally restricted to the lower of the amount deducted or 15% of the gross dividend.

### **Foreign interest**

A number of securities listed on the ASX are in foreign companies. Interest paid on notes issued by these companies is foreign interest. The interest is grossed up for any withholding tax deducted. If Australia has an income tax treaty with the relevant country, a credit for this withholding tax is generally restricted to the lower of the amount deducted or 10% of the gross interest.

### **Disposal of foreign revenue assets**

Taxable gains or losses on the disposal of traditional securities or any other 'non-CGT foreign asset' are included as part of 'disposal of revenue assets'.

### **Miscellaneous**

Foreign miscellaneous income has been included in assessable income on the date received.

## **Schedule F – Other Australian Income**

### **Disposal of revenue assets**

Taxable gains or losses on the disposal of traditional securities or any other 'non-CGT asset' (calculated as the difference between selling price and the cost of the investment) are included as part of 'disposal of revenue assets'.

### **Miscellaneous**

Miscellaneous income has been included in assessable income on the date received.

## **Schedule G – Expenses**

1. Deductible expenses have been included as an allowable deduction on the date paid.
2. Instalment warrants – where warrants are acquired, part of the first and subsequent payments may include an interest component. We have not included any part of the payment as an interest deduction. Please also refer to the comments under the next section 'Additional information – Instalment warrants'. All expenses include any amount of GST paid. In respect of ongoing adviser fees, if the Fund has advised Wrap Services that it is registered for GST, we have not reduced the GST paid by the RITC the Fund would have received. In this instance the Fund will need to reduce the expense amount by the RITC the Fund received.

### **Additional information (including specific security treatment)**

#### **Foreign income tax offset**

Included with the detailed supporting schedules is a 'Summary of foreign income tax offsets' to assist with the Fund's foreign income tax offset calculation. We have not allocated any part of the Fund's deductions against foreign income. The law on the entitlement of investors to claim foreign income tax offsets is particularly complex and has been subject to recent changes. As such, we recommend consulting an accountant or tax adviser to determine the foreign income tax offset the Fund is entitled to claim.

#### **Convertible notes**

Convertible notes are generally treated as traditional securities. Where the convertible note was issued on or after 15 May 2002 no assessable gain or deductible loss will arise upon conversion into ordinary shares. Instead the gain or loss is deferred and determined under the Capital Gains Tax provisions on the ultimate disposal of the ordinary shares. These rules only apply to traditional securities that convert into ordinary shares of the issuer or a connected entity.

Where a convertible note is redeemed, or a convertible note issued prior to 15 May 2002 is converted into ordinary shares, then any gains and losses are treated as a disposal of a revenue asset as set out in Schedule E or F above.

#### **Instalment warrants**

If the Fund has disposed of an instalment warrant or the underlying assets during the year ended 30 June 2020, we strongly recommend that you review the tax calculations and in particular the cost base, acquisition date and capital proceeds that we have used in our capital gain or loss calculation with the information from the Fund's warrant provider (commonly referred to as the 'Primary or Shareholder Market Application Statement').

We also recommend the Fund obtains independent tax advice in relation to the taxation treatment of the instalment warrant.

### **Stapled securities**

A stapled security consists of two or more underlying securities that are stapled together and traded as one. This structure commonly includes shares in a company and units in a trust. For tax purposes, each of the underlying securities is a separate asset. For stapled securities that were acquired prior to stapling and disposed of after the stapling event and within 12 months of acquisition, we have reported the disposal of the stapled security as the disposal of each separate asset making up the stapled security where there has been an impact to the Fund's eligibility for discounting. In all other circumstances we have reported realised and unrealised gains and losses from stapled securities at the consolidated level. Where the Fund has received non-assessable distributions from the stapled security, these have adjusted the cost base of the Fund's securities at the consolidated level.

You may need to consider the impact where the non-assessable distributions for each separate asset exceed the cost base of that asset.

### **Deferred purchase agreements**

A Deferred Purchase Agreement (DPA) is an executory contract generally for the purchase (at a much later date) of shares in a specified company or units in a specified trust, generally listed on the ASX. The maturity date is when delivery assets are delivered by the issuer to an investor. An investor makes the full payment for the delivery assets on or around the contract date when you enter into the DPA. Until the delivery date the investor would have either a nil or nominal beneficial interest in the delivery assets and would not be entitled to receive any dividends or distributions thereon. Under some DPAs the issuer makes periodic payments to the investor.

The ATO's views are discussed in Taxation Determination TD 2008/21 and TD 2008/22 which both have a prospective and retrospective application. The first TD deals with whether the DPA is a traditional security under the Tax Act. The ATO view is that a DPA isn't a traditional security. Wrap conforms with this TD as Wrap treats DPAs as CGT assets and not as traditional securities.

The second TD deals with the timing of the CGT event. Before the TD was issued it was the industry view that the delivery of the underlying assets was not a CGT event. The CGT event was recognised if the DPA was sold (prior to maturity) or the underlying assets were sold (after the maturity). However, the ATO view in TD 2008/22 is that the delivery of the assets on maturity of the DPA constitutes a disposal of the DPA for CGT purposes.

Wrap also conforms with this TD as Wrap treats the delivery of the assets as a CGT event.

We recommend that the Fund review our calculations and seek independent tax advice in relation to the taxation treatment of the DPA and underlying assets and any payments by the issuer to the Fund.

### **TFN withholding tax**

If the Fund has not provided Wrap Services with its TFN, we have deducted tax at the rate of 47% from interest paid on the Cash Account and distributions received from unlisted trusts.

The Fund's Tax Statement does not report any TFN amounts deducted from income paid on listed security holdings via the sponsored holdings option. This information will be reported on the relevant statement that the Fund should have received from the share registry.

### **Attribution Managed Investment Trusts**

Legislation has been passed affecting investments in certain trusts referred to as Attribution Managed Investment Trusts ("AMITs"). Income attributed by these AMITs to their investors may be in excess of the cash distributed to these investors. Broadly, income attributions are assessable even if part or all of it is not paid in cash, however cost bases in affected AMITs are increased in lieu of this.

In this regard, we have:

- included any unpaid attributions in the 'Total distribution' column of the Trust distribution summary – Schedule C; and
- included unpaid attributions in the relevant columns of the Trust distributions detail – Schedule C.

We have also applied any corresponding adjustments to the cost bases and reduced cost bases of the Fund's units in those AMITs as disclosed in the 'Cost base adjustments' columns of the 'Net Capital Gains – Schedule D' and 'Unrealised Gains/Losses' schedule.

For more information on AMITs, you should contact the relevant fund manager of the AMIT or seek independent tax advice. You can also contact the ATO for guidance.

# Part 2

## A tool to help you complete the Fund's Tax Return

Part 2 of the Wrap Tax Guide has been designed to help you complete your Self Managed Super Fund's (the Fund) income Tax Return 2020 (Tax Return). Instructions are also provided to help you complete the Australian Taxation Office (ATO) Capital gains tax (CGT) schedule 2020.

The information in this Guide is designed to supplement the information contained in the Fund's Tax Statement, supporting schedules, Part 1 – Self Managed Super Fund Wrap Tax Policy Guide and the ATO instruction document. You will require a copy of the ATO's instructions as it contains important additional information regarding the Australian taxation obligations of the Fund.

## Avoid double counting income

Please make sure you do not double count income from investments held in Wrap when completing the Fund's Tax Return.

If an investment the Fund holds in Wrap paid income during the year, this income has been included in the Wrap Tax Statement, even if the income was paid directly to an external account. This will happen from the date the investment was purchased (if the purchase was on the Wrap platform) or from when it was transferred into Wrap.

For example, if the Fund is holding shares on Wrap and those shares pay a dividend directly into the Fund's external bank account, the dividends will show up as income both in the Fund's Wrap Tax Statement and the external bank account statement.

## Important notes

Following is important information which you should review and consider before using this Guide:

This Guide is only applicable if the Fund is an Australian resident complying Superannuation Fund under the Superannuation Industry (Supervision) Act 1993 (SIS Act) and is lodging an Australian Tax Return.

You should read this document in conjunction with the Fund's Tax Statement, supporting schedules and Part 1 – Self Managed Super Fund Wrap Tax Policy Guide.

We are unable to give tax advice and therefore strongly recommend that you contact the Fund's accountant or tax adviser to assist you with the Fund's Tax Return, particularly if the Fund holds assets outside of Wrap or if you are not sure if the tax assumptions and policies adopted as set out in Part 1 – Self Managed Super Fund Wrap Tax Policy Guide are appropriate to the Fund's circumstances.

If a tax policy or assumption we have applied for a particular item is not applicable to the Fund's circumstances you should recalculate the item and use the new amount instead of what is shown on the Fund's Tax Statement.

The Fund's Tax Statement forms a payment summary for tax law purposes and should be retained.

Where this Guide refers to 'other sources' we mean investments that are not held within Wrap. This includes where the income is still paid to the Wrap Cash Account. For example dividends credited to the Cash Account when the shares are not held in Wrap or rental income from an external property investment.

## Can anyone use this Guide?

While most investors should be able to use the Tax Statement and this Guide to complete their Tax Return, there are some instances where this Guide may not be appropriate. For further information please refer to Part 1 – Self Managed Super Fund Wrap Tax Policy Guide.

## How to complete the Fund's Tax Return

The instructions below will explain how and where to find the various items of income, expenses and tax credits on the Fund's Tax Statement and where to record them on the Fund's Tax Return.

In order to proceed you will need both the Fund's Tax Statement and the ATO's Tax Return form and instructions. You will notice that the Tax Return form has alphabetical references like this **G**. The Fund's Wrap Tax Statement has numerical references that look like this **11**. These references are used throughout this Guide to assist you. If you choose to use a tax agent to prepare the Fund's Tax Return, advise them to use the information in the Fund's Tax Statement rather than information that may be displayed in the tax agent's pre-filling service.

### In summary

**G** is on the Fund's Tax Return form.

**11** is on the Fund's Wrap Tax Statement.



## **A : Net capital gain**

Information shown at **11** on the Fund's Tax Statement and the detailed supporting Schedule D will assist in completing **A** at Question **11** of the Tax Return and the CGT Schedule.

*The amount beside **11** on the Fund's Tax Statement represents the Fund's net capital gain or loss arising from the sale of investments and capital gain components included in trust distributions after the concession of 33 $\frac{1}{3}$ % has been applied to the relevant gains.*

Supporting Schedule D contains details of the calculation of capital gains and losses for both disposal of shares and units (if applicable) and capital gains included in trust distributions.

*Please refer to Part 1 – Self Managed Super Fund Wrap Tax Policy Guide for an explanation of how we have calculated capital gains and how we have offset capital losses against capital gains.*

Fund investors with current year capital gains or losses of more than \$10,000 must complete the Capital gains tax (CGT) Schedule 2020. Instructions on how to complete this form are included on pages 20 to 21 of this Guide. It may assist you to complete the CGT Schedule before you complete Question **11** of the Tax Return.

We also suggest you obtain a copy of the 'Guide to capital gains tax 2020' (CGT Guide) by downloading from the ATO website [www.ato.gov.au](http://www.ato.gov.au).

### – Step 1

Refer to the detailed supporting Schedule D — Net Capital Gains. If there are any capital gains from trust distributions or capital gains and/or capital losses from the disposal of investments, print 'X' in the YES box at **G**, Question **11**.

### – Step 2

Refer to the instructions in the CGT Guide to calculate the Fund's total current year capital gains.

Refer to the detailed supporting Schedule D — Net Capital Gains. Add the sub-totals from both columns 'Gains not eligible for discount' and 'Gains eligible for discount', shown under the heading of 'Optimal capital gains position' (these are the sub-totals before the application of losses) to any capital gains the Fund made from other sources.

### – Step 3

Refer to Schedule D — Net Capital Gains. If there are any capital losses from the disposal of investments, refer to the instructions in the CGT Guide to calculate the Fund's total current year capital losses and how to offset them against any capital gains.

Add the capital loss amounts transferred to columns 'Gains not eligible for discount' and 'Gains eligible for discount', shown under the heading of 'Optimal capital gains position' (this is the row 'application of losses') to any capital losses from other sources.

If the Fund has any net capital losses from previous years, refer to the instructions in the CGT Guide to determine how to offset prior year net capital losses against the Fund's capital gains.

### – Step 4

If total capital gains are more than the sum of current year and net prior year capital losses, the Fund has made a net capital gain.

Refer to the instructions in the CGT Guide to determine the remaining gains you can reduce by the 33 $\frac{1}{3}$ % CGT discount and then calculate the Fund's net capital gain.

Record the net capital gain at **A** in Question **11**.

### – Step 5

If total capital gains are less than the sum of current year and net prior year capital losses, the Fund has made a net capital loss.

Refer to the instructions in the CGT Guide to determine the net capital loss available to carry forward to future years.

Record the net capital losses available to be carried forward to future years at **V** in Question **14**.

Where the total losses to be carried forward are greater than \$100,000 the Fund must complete the Losses Schedule 2020. We suggest you obtain a copy of the 'Losses Schedule instructions 2020' by downloading from the ATO website.

Section E: **Losses**

**14 Losses**

**i** If total loss is greater than \$100,000, complete and attach a Losses schedule 2020.

Tax losses carried forward to later income years **U** \$ , , -

Net capital losses carried forward to later income years **V** \$ , , -

## **C** : Gross Interest

### – Step 1

If there is an amount beside **1** on the Fund's Tax Statement, refer to the Tax Return instructions.

This amount represents the amount of gross interest the Fund earned during the year, from the investment held with Wrap.

### – Step 2

Add the amount beside **1** to any gross interest the Fund received from other sources and record the total gross interest at **C** in Question **11** of the return.

## **J** : Unfranked dividend amount

### – Step 1

Refer to the amount beside **3** of the Fund's Tax Statement.

*This amount represents unfranked Australian dividends the Fund earned during the year, from investments held with Wrap.*

### – Step 2

Add the amount beside **3** to any unfranked dividends the Fund received from other sources and record the total unfranked dividends at **J** in Question **11** of the return.

## **K** : Franked dividend amount

### – Step 1

Refer to the amount beside **4** of the Fund's Tax Statement.

*This amount represents the franked Australian dividends the Fund earned during the year, from investments held with Wrap.*

### – Step 2

Add the amount beside **4** to any franked dividends the Fund received from other sources and record the total franked dividends at **K** in Question **11** of the return.

## **L** : Dividend franking credit

### – Step 1

Refer to the amount beside **5** on the Fund's Tax Statement. This is the same as the 'Franking credits from direct shares' in the 'Summary — Tax credits' section in the Fund's Tax Statement.

*This amount represents franking credits the Fund earned during the year from direct shares after the application of the '45 day rule'. Although the Fund did not receive these credits in 'cash', the Fund must include them as part of the Fund's assessable income.*

### – Step 2

Add the amount beside **5** to any franking credits the Fund received from franked dividends earned from other sources and record the total franking credits at **L** in Question **11** of the return.

## **D** : Net foreign income

### – Step 1

Refer to the amount(s) beside **7** on the Fund's Tax Statement, and add them together.

*These amount(s) represent the gross foreign income earned by the Fund during the year, from investments held within Wrap.*

#### **Please note**

There could be several items on the Fund's Tax Statement in Schedule C and Schedule E.

### – Step 2

Add any gross foreign income the Fund received from other sources to the amount calculated at Step 1 and record the total gross foreign income at **D1** in Question **11** of the Tax Return.

### – Step 3

Calculate any foreign income deductions incurred in relation to the Fund's other investments.

#### **Please note**

If the Fund has prior or current year losses you will also need to complete a Losses Schedule 2020.

### – Step 4

Subtract the amount calculated at Step 3 from the gross foreign income at label **D1**. This amount represents the Fund's net foreign income and should be recorded at **D** in Question **11**.

## **E** : Australian franking credits from New Zealand companies

### – Step 1

Refer to the amount shown at **14** on your Tax Statement. This amount represents Australian franking credits from a New Zealand company before application of the 45 day rule included in trust distributions. Refer to the amount shown at **15** on your Tax Statement. This amount represents Australian franking credits from a New Zealand company that have been denied after application of the 45 day rule.

### – Step 2

Subtract from the amount in **14** any amount shown in **15**. The result is the amount of Australian franking credits from a New Zealand company after application of the 45 day rule that have been distributed by trusts and that the Fund may be entitled to claim as tax offsets. Record this amount at **E** in Question **11** of the return.

### – Step 3

Refer to the amount shown at **16**. This amount represents Australian franking credits from a New Zealand company after application of the 45 day rule that the Fund earned from direct shares in the company. Also record this amount at **E** in Question **11** of the return.

### – Step 4

Add any Australian franking credits from a New Zealand company that the Fund received from other sources after application of the 45 day rule and record these amounts at **E** in Question **11** of the return.

## **M** : Gross trust distribution

### – Step 1

Refer to the amount(s) beside **6** on the Fund's Tax Statement and add them together.

*These amount(s) represent the trust distributions earned by the Fund during the year (not including net capital gains or foreign source income).*

### **Please note**

There could be several items on the Fund's Tax Statement that make up the total amount.

### – Step 2

Add the total amount to any trust distributions the Fund received from other sources and record the total gross distributions from trusts at **M** in Question **11** of the return. Print in the code box the code from the ATO instructions that best describes the type of trust.

Where a distribution includes franked dividends, the distribution is grossed up to include any attached franking credits.

This franking credit (if any) will be recorded in the Calculation statement at label **E1** in Question **13** – Complying fund's franking credits tax offset (refer to page 19 of this Guide for further details).

## **S** : Other income

### – Step 1

Refer to the amount(s) beside **12** on the Fund's Tax Statement and add them together (Total Amount).

*These amounts represents taxable gains or losses on disposal of non CGT assets and other miscellaneous income from investments held with Wrap.*

### – Step 2

Add the Total Amount (if income) to any other income the Fund received from other sources outside Wrap and record the total amount of other income at **S** in Question **11** of the return.

If the total amount is a loss, this should be recorded at **L1** of Question **12** (print 'O' in the code box to the right of this figure).

## **W** : Gross income

Ensure income from all other sources is now included at the relevant labels in item **11** of the Tax Return. Add up all income amounts in **11** and record in label **W** in Question **11**.

## Question 12: Deductions

The following provides step by step instructions on how to complete the sections in this question that are relevant to the Fund's deductible expenditure.

Refer to the ATO Tax Return Instructions for additional and more detailed information.

Fund's tax file number (TFN)

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### Section C: Deductions and non-deductible expenses

#### 12 Deductions and non-deductible expenses

Under 'Deductions' list all expenses and allowances you are entitled to claim a deduction for. Under 'Non-deductible expenses', list all other expenses or normally allowable deductions that you cannot claim as a deduction (for example, all expenses related to exempt current pension income should be recorded in the 'Non-deductible expenses' column).

DEDUCTIONS	NON-DEDUCTIBLE EXPENSES
Interest expenses within Australia <b>A1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>A2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Interest expenses overseas <b>B1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>B2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Capital works expenditure <b>D1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>D2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Decline in value of depreciating assets <b>E1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>E2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Insurance premiums – members <b>F1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>F2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
SMSF auditor fee <b>H1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>H2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Investment expenses <b>I1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>I2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Management and administration expenses <b>J1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>J2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Forestry managed investment scheme expense <b>U1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	<b>U2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>
Other amounts <b>L1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/> Code <input type="text"/>	<b>L2</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/> Code <input type="text"/>
Tax losses deducted <b>M1</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/>	

  

<b>TOTAL DEDUCTIONS</b> <b>N</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/> <small>(Total A1 to M1)</small>	<b>TOTAL NON-DEDUCTIBLE EXPENSES</b> <b>Y</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/> <small>(Total A2 to L2)</small>
<b>*TAXABLE INCOME OR LOSS</b> <b>O</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/> <small>Loss</small> <input type="checkbox"/> <small>(TOTAL ASSESSABLE INCOME less TOTAL DEDUCTIONS)</small>	<b>TOTAL SMSF EXPENSES</b> <b>Z</b> \$ <input type="text"/> , <input type="text"/> , <input type="text"/> <input type="checkbox"/> <small>(N plus Y)</small>

\*This is a mandatory label.



Sensitive (when completed) Page 5

### I : Investment expenses

#### – Step 1

Refer to the amount(s) beside **13** on the Fund's Tax Statement.

*These amounts represent investment expenses incurred within Wrap during the year.*

#### Please note

There could be several items on the Fund's Tax Statement that make up the total.

— **Step 2**

Add this amount to any other investment expenses the Fund has incurred from other sources. The investment expenses are required to be apportioned between deductible and non-deductible components. An example of non-deductible investment expense is the amount referable to exempt pension income. Where an apportionment is required, we would recommend consulting with your tax adviser.

The deductible component of these expenses should be disclosed at item **11** in Question **12**. The non-deductible component of these expenses should be disclosed at **12** in Question **12**.

**0 : Taxable income or loss**

Ensure deductions from all other sources are now included at their relevant labels in item **12** of the Tax Return. Add up all **12** allowable deductions and record this amount at label **N**. Add up all **12** non-deductible expenses and record this amount at label **Y**. Record the sum of labels **N** and **Y** at label **Z**.

Deduct the amount at label **N** from the total income shown at Question **11** label **V**. Write this amount at label **0** in Question **12**. If this amount is negative print 'L' in the box to the right of this row.



Fund's tax file number (TFN)

Credit for interest on early payments – amount of interest  
**H1** \$

Credit for tax withheld – foreign resident withholding (excluding capital gains)  
**H2** \$

Credit for tax withheld – where ABN or TFN not quoted (non-individual)  
**H3** \$

Credit for TFN amounts withheld from payments from closely held trusts  
**H5** \$

Credit for interest on no-TFN tax offset  
**H6** \$

Credit for foreign resident capital gains withholding amounts  
**H8** \$

**Eligible credits**  
**H** \$                       
(H1 plus H2 plus H3 plus H5 plus H6 plus H8)

**\*Tax offset refunds**  
(Remainder of refundable tax offsets)  
**I** \$                       
Unused amount from label E – an amount must be included even if it is zero

**PAYG instalments raised**

**K** \$

**Supervisory levy**

**L** \$                      **2 5 9 . 0 0**

**Supervisory levy adjustment for wound up funds**

**M** \$

**Supervisory levy adjustment for new funds**

**N** \$

**AMOUNT DUE OR REFUNDABLE**  
A positive amount at S is what you owe, while a negative amount is refundable to you.  
**S** \$                       
(T5 plus G less H less I less K plus L less M plus N)

\*This is a mandatory label.

## C1 : Foreign income tax offset

### – Step 1

If there is an amount beside **8** on the Fund's Tax Statement, refer to the ATO Tax Return Instructions.

*This amount represents the foreign income tax amounts the Fund received during the year.*

The Fund should be able to claim a foreign income tax offset that is the lesser of:

- (a) foreign income tax paid (as shown at item **8** of the Tax Statement), and
- (b) the foreign income tax offset limit (the greater of \$1,000 and the amount calculated in accordance with the tax legislation).

For more information on how to calculate the foreign income tax offset allowed to the fund, refer to the ATO publication 'Guide to foreign income tax offset rules'. Please also refer to the supporting schedule 'Summary of Foreign Income Tax Offsets'.

### – Step 2

Add the foreign income tax offsets allowed on the Fund's Wrap investments to any other allowable foreign income tax offsets the Fund received from other sources and record the total allowable amount of foreign income tax offset at **C1** in Question **13**.

## **C2 : Rebates and tax offsets**

### – Step 1

Refer to the amount beside Infrastructure bond rebate under 'Summary – Tax Credits' section of the Tax Statement.

This amount represents infrastructure bond rebates on infrastructure bond income treated as taxable to the Fund.

### – Step 2

Add this to rebates and tax offsets from other sources and record at **C2** in Question **13**.

## **H3 : ABN/TFN tax withheld**

### – Step 1

Refer to the amount beside **2** on the Fund's Tax Statement.

*This amount represents any tax deducted from the Cash Account interest income if you did not provide a tax file number (TFN), Australian Business Number (ABN) or TFN exemption.*

We have not shown on the Fund's Tax Statement any TFN amounts deducted from listed securities via the sponsored holding option. You should refer to the Fund's statement from the share registry for this information.

### – Step 2

Refer to the amount beside **10** on the Tax Statement.

*This amount represents any tax deducted from the Fund's Cash Account interest income and/or distributions received from unlisted trusts if the Fund did not provide a TFN or TFN exemption.*

We have not shown on the Tax Statement any TFN amounts deducted from listed securities via the sponsored holding option. You should refer to the Fund's statement from the share registry for this information.

Any TFN credits declared on the statement from the share registry should also be added to the TFN credits figure on the Fund's Tax Statement

### – Step 3

Add the TFN credits at **2** and **10** to any other credits for tax withheld where an ABN/TFN is not quoted from other sources and record the total at **H3** in Question **13**.

## **E1 : Refundable franking credits**

### – Step 1

In the 'Summary – Tax Credits' section of the Fund's Tax Statement, refer to the amounts beside 'Franking credits from direct shares (after 45 day rule)', 'Franking credits from trust distributions (after 45 day rule) and 'Aust. franking credits from a NZ company (after 45 day rule)'.

The ability for the Fund to claim a tax credit for the franking credits the Fund has received may depend upon whether the Fund has held shares or units at risk for more than 45 days. Please refer to Part 1 – Self Managed Super Fund Wrap Tax Policy Guide for an explanation of the Fund's application of the '45 day rule'.

### – Step 2

Add the refundable franking credits in Step 1 to any other refundable credits the Fund received during the year from other sources and record the total refundable credits amount at **E1** in Question **13**.

Refer to the Tax Return instructions for further information and detail.





Speak to your financial adviser today



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**Please retain the Tax Statement and this Guide for income tax purposes**

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