



ADVANCE

ASSET MANAGEMENT

A GUIDE TO YOUR ADVANCE TAX STATEMENT

2021-2022

Advance Tax Statements

The guide gives you step-by-step instructions to help you complete your 2021–2022 Tax return.

Advance Tax Statement

Although we're able to provide you with information about your investment, please be aware, we're unable to give tax advice. This guide provides general information only and should not be regarded as tax advice.

If you require further information to help you complete your Tax return or information about your personal tax position, we suggest you speak to your accountant or tax adviser. Your Advance Tax Statement, together with this guide, forms a payment summary for the purpose of the Taxation Administration Act 1953.

Please keep your Advance Tax Statement and this guide for income tax purposes.

Advance Capital Gains Tax Statement

Did you withdraw, switch or transfer any part of your investment during the financial year? If 'YES', you may receive an Advance Capital Gains Tax Statement in August, containing further information you'll need to complete your tax return.

Where applicable, this guide will highlight when you need to refer to the Advance Capital Gains Tax Statement for further information.

Important details

- > The instructions in this guide are only applicable to Australian resident individual investors who hold their investments on capital account.
- > If you received an Advance Tax Statement, you may need to complete the 2022 Tax return for individuals (supplementary section).
- > If you're not the sole holder of an account, you only need to show your share of income and deductions. For any account where account holders don't share equally in the income and deductions, you should keep a record to show how you worked out your share.
- > If your investment is held in the name of a company, trust, partnership or complying superannuation fund, the information contained in the Advance Tax Statement can be adapted for completing your Tax return.

- > We haven't applied the Taxation of Financial Arrangements legislation to your account for the current year. If you believe these provisions apply to your investments, please speak to your accountant or tax adviser to confirm the applicable tax treatment.
- > Certain trusts known as Attribution Managed Investment Trusts (AMITs) may attribute income to their investors in excess of cash received by these investors. Broadly income attributions are assessable even if all or part of them are not paid in cash, however cost bases of units held in affected AMITs are increased as a result of this.
- > Most Advance funds have elected to be AMITs in the year ended 30 June 2022. We have taken into account any attributions not paid in cash from underlying AMITs that the Advance funds invest in for the purposes of the distributions paid to you and we have also applied any corresponding adjustments to the cost base and reduced cost base of Advance funds' units in these AMITs.
- > To obtain copies of any of the Australian Taxation Office (ATO) publications referred to in this guide, please phone the ATO publications distribution service on 1300 720 092 or visit the ATO website at www.ato.gov.au.

How to complete your Tax return using your Advance Tax Statement

The following pages take you through completing questions in the Individual tax return instructions supplement 2022 (ITR instructions supplement 2022) that may be applicable to your individual Tax return.

For the 2022 income year, the ITR instructions supplement 2022 are only available online at <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/>

Which Advance statements do you need to complete your Tax return?

IF DURING THE 2021-2022 FINANCIAL YEAR YOU:	ADVANCE STATEMENTS NEEDED
were in one fund only	Advance Tax Statement Summary (enclosed).
were in more than one fund	Advance Tax Statement Summary (on the front page of your enclosed statement) which incorporates all your Advance funds. Please note that 'tax components by fund' are on the following pages of your statement.
had more than one investor number	Advance Tax Statement Summary for each separate investor number.
withdrew, switched or transferred your investment	Advance Tax Statement Summary plus your Advance Capital Gains Tax Statement and guide which will be sent in August (if applicable).

Non-primary production income

The ITR instructions supplement 2022 can be found at <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/Income-questions-13-24/13-Partnerships-and-trusts-2022/> Navigate to Parts B, C and D.

Step 1

Add the amount of non-primary production income (13 **U**) on your statement summary to any non-primary production income you received or were attributed from other investments. Write the total at 13 **U** of your 2022 Tax return for individuals (supplementary section). If this amount is a loss, write 'L' in the small box to the right of this figure.

Step 2

Add the amount of franked dividends from trust distributions (13 **C**) on your statement summary to any franked dividends you received or were attributed from other trust investments. Write the total income at 13 **C** of your 2022 Tax return for individuals (supplementary section).

Step 3

Add together any deductions you can claim in respect of non-primary production income that you recorded at 13 **U**.

Step 4

Write the total deductions at 13 **Y** of your 2022 Tax return for individuals (supplementary section).

Step 5

Add the amounts at 13 **O**, 13 **U** and 13 **C** (or subtract loss amounts) and subtract the amounts at 13 **J** and 13 **Y**.

Step 6

Write this amount in the 'Net non-primary production amount' box beneath 13 **Y**. If this amount is a loss, write 'L' in the small box to the right of this figure.

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. Under the applicable transitional rules, certain income that would otherwise have been NCMI, will be excluded from NCMI and therefore subject to a lower withholding tax rate of 15% when paid to non-residents in Exchange of Information countries. For all other non-residents, the 30% withholding tax rate applies.

If you have received non-primary production income that is NCMI or excluded from NCMI, it will be included in the 'non-primary production income' section of your statement. If you have received capital gains attributable to NCMI or amounts excluded from NCMI, these will be included in net capital gains from distributions in your statement. Investors will receive a separate note that will provide further information in relation to NCMI and excluded from NCMI amounts.

Please note:

The types of deductions you can claim are explained at Part C.

Franking credits

Go to <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/Income-questions-13-24/13-Partnerships-and-trusts-2022/> and navigate to Part F.

Step 1

Add the amount of franking credits (13 **Q**) on your statement to any franking credits you received or were attributed from other trust or partnership investments. Don't include any franking credits from direct share investments.

Step 2

Write the total franking credits at 13 **Q** of your 2022 Tax return for individuals (supplementary section).

Please note:

Franking credits shown on your Tax return will reduce the tax payable on your income or may be refunded to you.

If you don't need to lodge a Tax return, you may be able to claim a refund of franking credits. You'll need to obtain a copy of the refund of franking credits application form from the ATO.

Under the '45-day rule', if you disposed of units in the trust within 45 days of buying units (excluding the purchase and disposal days), you may not be able to claim all of your franking credits. However, you are exempt from this rule if the total franking credits you're claiming from all sources for the year is \$5,000 or less. Franking credits attributed to you from an AMIT are also generally exempt from this rule.

TFN withholding credits

Go to <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/Income-questions-13-24/13-Partnerships-and-trusts-2022/> and navigate to Part F.

Step 1

Add the amount of tax file number (TFN) withholding credits (13 **R**) on your statement to any TFN withholding tax deducted from other trust or partnership investment income.

Step 2

Write the total at 13 **R** of your 2022 Tax return for individuals (supplementary section).

Please note:

TFN withholding tax is deducted from distributions at the rate of 47% where we didn't receive a TFN, Australian Business Number (ABN) or TFN exemption. The tax withheld should be offset against the tax payable on your income when the TFN withholding tax amounts are included in your Tax return.

Other Offsets

Exploration companies may distribute exploration credits to shareholders under an incentive program known as the "Junior Minerals Exploration Incentive". Australian resident shareholders who receive these credits may be entitled to a refundable tax offset. If you have received exploration credits from a managed fund that has invested in an exploration company, you will receive a separate letter from us confirming the amount and how to disclose it in your tax return.

Managed investment trust withholding tax

If you've informed us that you're a non-resident of Australia for tax purposes, you may have had Managed Investment Trust (MIT) withholding tax deducted from distributions you received. The relevant MIT withholding tax rate depends on your country of residence for tax purposes.

For the 2022 income year, the rate is 15% for residents of 'Exchange of Information' countries and 30% for residents of all other countries.

Withholding tax on NCMI and excluded from NCMI amounts has been included in MIT withholding tax in your statement.

Please note:

The amount includes tax withheld by the Fund's trustee from certain Australian sourced components, including other income and capital gains from taxable Australian real property (TARP). Capital gains from non-taxable Australian real property (NTARP) will generally not be subject to MIT withholding tax when paid or attributed to a non resident investor.

MIT withholding tax will only be deducted from a distribution you receive or were attributed if you were a non resident for all or part of the year.

It's important you advise us of changes to your residency status as this may affect the amount of MIT withholding tax deducted from distributions you receive.

Capital gains

Go to <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/Income-questions-13-24/18-Capital-gains-2022/>.

If an asterisk symbol (*) appears on your statement summary for capital gains, please refer to the Advance Capital Gains Tax Statement that you'll be sent in August to complete the capital gains section of your Tax return. Please refer to the note in this section for additional information and ignore the steps below.

Step 1

If you made no capital gains or losses during the year (including any other capital gains you have from other sources) write X in the 'No' box at 18 **G** of your 2022 Tax return for individuals (supplementary section).

Step 2

If you only have capital gains and losses from shares, units in a unit trust or managed investment fund, you'll need the ATO's 'Personal investors guide to capital gains tax 2021–2022 (NAT 4152). If you have capital gains and losses from other sources, you'll need the ATO's 'Guide to capital gains tax 2021–2022 (NAT 4151) (CGT guide) available from the ATO website.

Step 3

If there's a capital gain at 18 **H** on your statement summary, write X in the 'YES' box at 18 **G** of your 2022 Tax return for individuals (supplementary section).

If you applied an exemption or rollover in relation to any other investments to disregard or defer a capital gain or capital loss, write X in the 'YES' box at **M** item 18 Capital gains on your tax return (supplementary section). We recommend you confirm your CGT position with your tax adviser.

Step 4

Add the amount of total current year capital gains (18 **H**) on your statement to any other capital gains you have from other sources.

Step 5

Write the total current year capital gains at 18 **H** of your 2022 Tax return for individuals (supplementary section).

Step 6

If total current year capital gains are more than the total current year and net prior year capital losses, you've made a net capital gain. Use the CGT guide to help you calculate your net capital gain to include at 18 **A** of your 2022 Tax return for individuals (supplementary section).

Step 7

If total current year capital gains are less than the total current year and net prior year capital losses, you have a net capital loss. Write this amount at 18 **V** of your 2022 Tax return for individuals (supplementary section).

Please note:

Capital losses from the current year and net capital losses from previous years can be offset against current year capital gains. You can choose the order in which capital gains are reduced by current year capital losses, and then any previous year net capital losses. As a general rule, it's better to offset capital losses against non discounted capital gains first.

If you've withdrawn, switched or transferred any part of your investment during the year, you may receive an Advance Capital Gains Tax Statement in August containing further information you'll need to complete your return. This statement will show the capital gain components received from distributions as well as your own capital gains or losses on withdrawing, switching or transferring units. You won't be able to complete question 18 of the ITR instructions supplement 2022 until you receive this statement.

Capital Gains Tax schedule

You may be required to complete a Capital Gains Tax (CGT) schedule 2022 (NAT 3423) if your total current year's capital gains or losses are greater than \$10,000 and you aren't lodging a paper Tax return. We suggest you speak to your accountant or tax adviser or refer to the CGT guide available from the ATO website to assist you in completing the CGT schedule 2022.

Foreign income

Go to: <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/Income-questions-13-24/20-Foreign-source-income-and-foreign-assets-or-property-2022/>

Step 1

Using the foreign income information on your statement summary, add the amount of foreign income to any foreign income you received or were attributed from other trust or partnership investments.

Step 2

Follow Part E to calculate the amount of other net foreign income.

Step 3

Write the amount of other net foreign income at 20 **M** of your 2022 Tax return for individuals (Supplementary section).

Step 4

Follow Part **F** to calculate the amount of assessable foreign income.

Step 5

Write the amount of your assessable foreign income at 20 **E** of your 2022 Tax return for individuals (supplementary section).

Foreign income tax offsets

Follow Part H to work out your foreign income tax offset or refer to the ATO's publication 'Guide to foreign income tax offset rules' (NAT 72923) (FITO guide).

Step 1

If in your statement summary, there's a foreign income tax offset amount and this amount together with the total amount of foreign tax you paid for the 2022 income year from other sources didn't exceed \$1,000, then write the amount at 20 of your 2022 Tax return for individuals (supplementary section).

Step 2

If the total amount of foreign income tax you paid for the 2022 income year from all sources as well as on your statement exceeded \$1,000, you should follow the 'FITO guide' to work out the amount of foreign income tax offset you're entitled to claim. Once you've worked it out, write this amount at 20 of your 2022 Tax return for individuals (supplementary section).

Australian franking credits on New Zealand dividends

Dividends received from New Zealand companies may have Australian franking credits. If you've received or were attributed a New Zealand dividend with Australian franked credits attached, follow Part G to calculate the amount of your Australian franking credits from New Zealand companies and record the amount at 20F of your tax return for individuals (supplementary section).

Management fee rebate

Go to <https://www.ato.gov.au/Individuals/Tax-return/2022/Supplementary-tax-return/Income-questions-13-24/24-Other-income-2022/>.

Step 1

If applicable, add the amount of management fee rebate (24) on your statement summary to any other management fee rebates you received from other trust investments.

Step 2

Follow the instructions on this page to calculate your total category 4 income.

Step 3

Write this amount at 24 of your 2022 Tax return for individuals (supplementary section).

If applicable, the management fee rebate shown on your Advance Tax Statement is the total of the rebates paid to you during the year 1 July 2021 to 30 June 2022 (reported on a cash basis). If you're required to report this on your Tax return using a different basis (eg accruals), please adjust this amount accordingly.

Important details about your Advance Tax Statement

What does the enclosed statement show?

- > The taxable components of distributions paid or attributed by the Advance funds to you for the year ended 30 June 2022 (eg your September 2021, December 2021, March 2022 and June 2022 distributions or attributions). Your June 2022 distribution or attribution must be included in your 2022 tax return even though you received it in July. You must include all these distributions and attributions whether they've been banked, sent to you by cheque or reinvested.
- > Any net capital gains you received or were attributed where a Fund disposed of any of its investments. These are passed on to you in your distribution or attribution and as an investor in the Fund, you need to account for them in your tax return.

Adviser fees

If you've incurred adviser fees in the year ended 30 June 2022 in relation to your Advance Funds, these expenses haven't been included in your Advance Tax Statement. Please calculate these expenses and include them at item (13 **Y**) of your 2022 Tax return for individuals (supplementary section) to the extent that they are allowable deductions.

However, do not include adviser fees at item 13 **Y** to the extent that you have included them, or will include them, in the cost base of units you hold or have disposed of in Advance funds.

Company and Superannuation Fund investors

The net capital gains shown on your Advance Tax Statement Summary in relation to Company and Superannuation Fund investors have been calculated after applying the CGT discount percentage against the total capital gains. The discount percentage applied is as follows:

- > 33 1/3 % for Complying Superannuation Funds
- > 50% for Non-Complying Superannuation Funds
- > nil for Companies.

Is your accountant or tax adviser helping you complete your Tax return?

If yes:

- > provide them with your statement and this guide to help them complete your return easily and efficiently
- > if you need us to send copies of your statement and this guide to your accountant or tax adviser, please call our Customer Relations team on 1800 819 935.

Other information

If your statement shows tax-free, tax-deferred, tax-exempt, return of capital or CGT concession amounts, these components are generally not assessable for income tax purposes, so you don't need to include them in your Tax return. When you dispose of your investment, these amounts may affect your capital gain or loss. We suggest you speak to your accountant or tax adviser for further details when you consider the disposal of your investment.

Non-resident withholding tax

If you make any payments to an entity whose address or place of payment is outside Australia, you may be required to withhold an amount from such payments if they are attributable to certain components included in distributions you receive as a unitholder of an Advance MIT. You can obtain distribution component information from our website advance.com.au.

Can anyone use this guide?

While most Australian resident individual investors (including joint holders) should be able to use this guide to complete their Tax return, there are some instances where this guide may not be appropriate. For example:

- > you've changed your residency status during the year or since acquiring your units
- > you're a foreign resident subject to Australian tax
- > you treat your investments on revenue account
- > this investment is a joint account and one of the joint account holders has died during the year ended June 2022 or an earlier year where we have only been notified of such death during the year ended 30 June 2022.

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