

Tax Statement Guide 2015/16

The following notes have been prepared to help you understand your Tax Statement (“Statement”) and complete your 2015/16 individual income tax return (“tax return”).

You may use this Guide to help you complete your 2016 tax return if you have received or reinvested distributions paid or accrued in the 2015/16 financial year (including distributions paid in July for the period ended 30 June 2015) from the *DDH Investment Access Funds, DDH Preferred Income Fund, Selector Australian Equities Fund, Sentinel Property Trust, and Joseph Palmer & Sons Property Fund*.

This Guide has been prepared as general information only and relates specifically to the “Tax return for individuals 2016” and “Tax return for individuals (supplementary section) 2016”. In particular, this guide assumes that you are an Australian resident individual taxpayer and your investment qualifies as a capital investment for tax purposes.

If you are a non-resident for Australian tax purposes or your investment is in the name of a company, trust, partnership, other association or superannuation fund, you may need to make adjustments to the information provided.

It is important to note that you should contact your taxation adviser if you are unsure about any tax matters. We do not provide tax advice.

This Guide:

1. Indicates how to include distributions you receive from your investment in the Fund(s) in your tax return. You should note that it only refers to the **specific questions you need to complete in order** to do this. You may need to complete other questions in your tax return, or include additional information at the same tax return labels identified below, depending on your own specific circumstances.
2. Explains terms to help you understand the distributions from the Fund(s). Distributions are sourced from **many areas such as cash, fixed interest, listed shares**, listed property trusts and other managed investments held in Australia or foreign countries. The type of income distributed will vary between Funds.

To complete your tax return in respect of the distributions received you will need:

- > a copy of the “Tax return for individuals 2016” and the “Individual tax return instructions 2016”;
- > a copy of the “Tax return for individuals (supplementary section) 2016” and the “Individual tax return instructions supplement 2016”;
- and
- > your Statement provided by DDH Graham Limited.

The following describes the amounts that may appear on your Statement with comments on where each amount should be shown in your tax return. Part A of the Statement is a summary of the tax components of your income from the Fund(s) which should be included in your tax return.

For ease of reference, the labels are the same on both the Statement and the individual tax return unless otherwise stated. Specifically, the references included below are to the labels in the

“Tax return for individuals (supplementary section) 2016” unless otherwise noted. Amounts included in this section may also be required to be included in the “Tax return for individuals 2016”. Please refer to the tax return instructions referred to above for further information.

Australian trust income

This is income received by the Fund(s) from Australian sources including interest and property trust income. The Statement refers to this item as ‘non-primary production income’ and the amount noted should be included in **Item 13 label U** of your tax return beside ‘Share of net income from trusts, less capital gains, foreign income and franked distributions’.

Other deductions relating to distributions

These represent deductions you may be able to claim, and may include any adviser service fees you may have paid during the year. Any amount for this item should be included in **Item 13 label Y** of your tax return beside ‘Other deductions relating to amounts shown at O, U and C’.

Other deductions may be able to be claimed for interest on loans used to finance your investment in the Fund and other expenses incurred when earning income from your investment in the Fund. You should consult with your taxation adviser if you are unsure about the deductions that you can claim.

Franked distributions

This income represents franked dividend income received as part of the distribution from the Fund. Any amount for this item should be included in **Item 13 label C** of your tax return beside ‘Franked distributions from trusts’.

Note, that any franked distributions for direct share investments you own should not be included here, but at Item 11 of your tax return.

Net non primary production amount

You should add the amounts disclosed at **Item 13 label U and C**. Then you should subtract the amount at **Item 13 label Y** from this amount. Enter this amount at “Net non-primary production amount” at **Item 13**. If the amount is a negative amount (a loss) then print L in the **Loss box** to the right of this figure.

Franking credits

Franking or imputation credits are credits for tax paid by a company on its earnings. These credits may be offset against your tax liability. You should enter this amount at **Item 13 label Q** of your tax return beside ‘Share of franking credit from franked dividends’. If you are unsure about how to utilise such credits, we recommend you consult your taxation adviser.

Franking credits for direct share investments should not be included here, but at Item 11 of your tax return.

Foreign income

This represents non-Australian sourced income. There are three sections you may need to complete. They are:

- > 'Foreign entities – CFC income' at **Item 19 labels I and K** of your tax return.
 - > 'Assessable foreign source income' at **Item 20 label E** of your tax return.
 - > 'Other net foreign source income' at **Item 20 label M** of your tax return.
- You should enter "Y" at **Item 19 label I** and the amount at **Item 19 label K** if you have received 'Foreign entities – CFC income'.

You should enter the 'Assessable foreign source income' at **Item 20 label E** and 'Other net foreign source income' amounts at **Item 20 label M** as disclosed on your Statement for these items.

If you have deductions or losses carried forward relating to foreign income we recommend you consult your taxation adviser.

Australian franking credits from a New Zealand franking company

These credits may be offset against your tax liability.

You should enter this amount at **Item 20 label F** of your tax return beside 'Australian franking credits from a New Zealand franking company'. If you are unsure about how to utilise such credits, we recommend you consult your taxation adviser.

Foreign tax offsets

A foreign tax offset may be available where tax was deducted from income in the country where that income was earned. Calculate your foreign tax offset entitlement using the ATO publication "Guide to foreign income tax offset rules 2015-16". Enter this amount at **Item 20 label O** of your tax return beside 'Foreign income tax offset'.

Capital gain and losses

Capital gains shown on your Statement are your share of the capital gains made by the Fund. Another source of capital gains is from capital gains tax (CGT) events that happen to your investment in the Fund.

Individuals may be eligible for the 50% discount on eligible capital gains arising on investments held for 12 months or more. However, the "indexation" system may be available for certain capital gains on assets acquired before 21 September 1999.

For assets held for less than 12 months the total gain should be included in assessable income. Where the Fund(s) have sold assets and made capital gains, we have used the calculation method which results in the most favourable outcome.

Types of capital gains noted on your Statement are:

- > **Discounted capital gains** – capital gains on assets held for more than 12 months (disclosed after the 50% discount has been applied).
- > **CGT concession amount** – the CGT discount component of any actual distribution from a managed fund. It is not taxable and should not affect the cost base of your units for capital gains purposes.
- > **Capital gains (indexation or other method)** – capital gains on assets for which the discount method is not available, or for which the indexation method provides a more favourable outcome.
- > **Distributed capital gains** – total capital gains distributed including discounted and CGT concession amounts.
- > **Net capital gains** – total capital gains reduced by total capital losses and any carried forward capital losses from previous years, less any CGT discount to which you are entitled.
- > **Total current year capital gains** – Total capital gains before applying any discount.

Total current year capital gains

Total current year capital gains include all capital gains for the 2015/16 income year. Total current capital gains can be determined from your Statement and/or from other sources. Do not apply capital losses or the CGT discount yet. Enter the sum of

these amounts at **Item 18 label H** of your tax return beside 'Total current year capital gains'.

Capital losses

You may be able to use capital losses to offset capital gains from:

- > your investment in the Fund(s); or
- > other investments you hold.

If you have capital losses, you will need to refer to your:

- > Statement; and
- > ATO "Capital gains tax (CGT) schedule 2016" and the ATO "Guide to capital gains tax 2016-15", to determine how to correctly apply them.

If you have more capital losses than capital gains, **the balance can be carried forward indefinitely until** such time as you have a capital gain against which you can offset them. Any unapplied capital losses from the current year or previous year should be shown at **Item 18 label V** of your tax return beside 'Net capital losses carried forward to later income years'.

Net capital gains

Net capital gains are calculated from:

- > capital gains distributed from the Fund(s);
- > any capital gains made on your disposal of units; and
- > any other capital gains you made in the current income year, after applying any capital losses and/or the discount percentage.

You should enter net capital gains at **Item 18 label A** of your tax return beside 'Net capital gain'.

In addition to your Statement, you may also need to refer to the ATO "Guide to capital gains tax 2015-16" and the ATO "Capital gains tax (CGT) schedule 2016". As a net CGT liability can be difficult to determine, we recommend you consult your taxation adviser when completing your income tax return.

Capital gains tax return information

The ATO requires certain individual taxpayers to complete a CGT schedule. The instructions are provided in the ATO "Guide to capital gains tax 2015-16".

We recommend you consult your accountant or taxation adviser if you are unsure about completing this schedule.

Other non assessable amounts

- > **Tax free amounts** – this category represents non-taxable income derived by the fund. This income will usually be from infrastructure investments. It is important to keep records of this class of income as it will affect the cost base of your investment if it is sold at a loss.
- > **Tax deferred amounts** – this income represents non-taxable income distributed to you. These amounts arise as the difference between accounting and taxable income e.g. differences in treatment of depreciation. It is important to keep records of this class of income as it will affect the cost base of an investment, whether sold at a profit or a loss.

Tax File Number (TFN) withholding tax

When you first invested in the Fund(s) you were asked to provide your Tax File Number (TFN) or exemption reason. If you chose not to do so, we will have deducted TFN withholding tax at a rate of 46.5% from distributions of income made to you. This amount of TFN withholding tax should be shown at **Item 13 label R** of your tax return beside 'Share of credit for tax file number amounts withheld from interest, dividends and unit trust distributions'.

Like many other tax credits, TFN withholding tax can offset your tax liability on taxable income. In circumstances where the TFN withholding tax exceeds your tax liability, you should be entitled to a refund of that excess tax.

If you require further information about your investment please contact us on 1800 226 174 or email us at investments@ddhgraham.com.au