

# Taxation Statement Glossary of Terms

- **Australian Interest Income**

Interest income includes interest, bill discounts and other taxable income in the nature of interest, but does not include foreign sourced income.

- **Australian Franked Dividend Income**

Franked dividend income includes all taxable dividends paid by Australian companies, to which imputation/franking credits are attached. These dividends may be fully or partially franked.

- **Australian Unfranked Dividend Income**

Unfranked dividend income includes all taxable dividends paid by Australian companies, to which no imputation/franking credits are attached.

- **Australian General Income (Property and Other)**

General income includes all taxable income that can not be classified under the other income categories. Such income includes sub-underwriting income and distributions from property trusts, but does not include foreign sourced income.

- **Capital Gains**

These gains may be derived in Australia and/or from foreign sources.

- ♦ **Indexation Capital Gains** -- is where the capital gain has been calculated with a cost base which includes indexation frozen at the 30 September 1999.
- ♦ **Non-Discount Capital Gains** -- is where the capital gain is calculated and the index and discount method does not apply.
- ♦ **Discounted Capital Gains** -- comprises total undiscounted capital gains made after 21 September 1999 which are taxed under the new capital gains tax system. Under the new capital gains tax system the amount of the discount depends on who is receiving the gain ie: individuals get a 50% discount, trusts receive a 50% discount, complying superannuation funds get a 33 1/3% discount and companies receive no discount. Under this system, individuals pay tax on 50% of the gain, complying superannuation funds pay tax on 66 2/3% of the gain and companies pay tax on 100% of the gain.
- ♦ **Discounted Capital Gains** -- Taxable Income - represents the taxable component of the discount capital gains amounts calculated for the entity (as referred to in 104-71(4) ITAA 1997). The gross capital gains may be reduced by the net capital loss applied by the Investment Fund or by other Trusts in the chain to reduce capital gains made, as reflected in the payment to the unit holder. The gross capital may be further reduced by the application of other capital gains concessions, or be entirely exempt from CGT as a pre-CGT asset. Therefore, in some cases, the final split may not be 50/50, as the total reduction of the taxable gain may be greater than 50% of the gross capital gain. Because of carry forward losses, actual Taxable Discounted Capital Gains may be NIL.

- **Foreign Income**

Foreign Income includes all taxable income sourced outside of Australia including foreign interest income, foreign modified passive income and other foreign income.

- **Return of Capital**

A distribution of a return of capital represents a non-taxable component of the distribution. Items that may make up a return of capital component include excess income distributions and returns of paid up capital to interest holders. Items included under this heading reduce the cost base of your investment asset and may give rise to an assessable capital gain in accordance with Section 104-70 of the *Income Tax Assessment Act (1997)*.

## 2010 / 2011

Table 1.1 Estimate of tax proportions for Tax Deferred and Return of Capital components for each trust.

Trust	Proportion		Trust	Proportion	
	Tax Deferred	Return of Capital		Tax Deferred	Return of Capital
Aust Equities	0.00%	100.00%	Growth	51.19%	48.81%
Conservative	58.40%	41.60%	Higher Growth	34.61%	65.39%

- **Tax Free**

A distribution of tax free income represents a non-taxable component of the distribution. Items which may make up a tax free component include amounts referred to in subsection 104-71(3). Unit holders are required to reduce the reduced cost base of their units by the amounts but not their cost base.

- **Tax Deferred**

A distribution of tax-deferred income represents a non-taxable component of the distribution. Items that may make up a tax deferred component include:

- ♦ Distributions from reserves:
  - Asset revaluation reserve (ie: unrealised gains in the value of investments)
  - Tax difference reserve (ie: items that are brought to account in different periods for income tax and accounting purposes) and
- ♦ Distributions of building allowances as allowed under Division 43 of Income Tax Assessment Act (1997).

Items included under this heading reduce the cost base of your investment asset and may give rise to an assessable capital gain in accordance with Section 104-70 of the *Income Tax Assessment Act (1997)*.

- **Franked Distributions and Capital Gains to Beneficiaries**

The Government has announced changes to enable tax effective streaming of franked distributions and capital gains to beneficiaries. For information and advice on how these changes could impact on your personal circumstances, please consult your professional taxation advisor.

**Important:** Please note that the purpose of this guide is to show the nature of the income categories that may appear on your statement(s).

The descriptions under these categories are not exhaustive, and are to be used as a guide only.

Any further advice relating to the taxation of distribution income should be obtained from your Taxation Professional or ATO.