

Investment Accumulation Plan

Tax guide 2009

This guide has been prepared to help you complete your 2009 Tax Return. The information in this guide relates to individual Australian residents (for taxation purposes) and contains general information only. It does not replace instructions from the Australian Taxation Office (ATO).

If you are an individual taxpayer, to complete your Tax Return you will need a copy of:

- Investment Accumulation Plan '*Consolidated taxation statement for the financial year ended 30 June 2009*' provided by us
- Investment Accumulation Plan - '*Statement of Capital Gains for the financial year ended 30 June 2009*' provided by us
- '*TaxPack 2009*' provided by the ATO
- '*TaxPack 2009 Supplement*' provided by the ATO

You may also need a copy of the following ATO publications:

- '*Personal Investors Guide to Capital Gains Tax 2009*' provided by the ATO
- '*Guide to foreign income tax offsets rules 2008-09*' provided by the ATO

If you have received income from other sources or investments you will need to include all of these amounts on your Tax Return. As your circumstances are unique, you may wish to seek advice from a qualified tax adviser.

Your Tax Return and Your Taxation Statements

In your Tax Return, you must declare income that you have become presently entitled to during the period 1 July 2008 to 30 June 2009. This may not coincide with the actual cash distribution you have received during the same period.

There are two statements contained in your '*Annual statement for the financial year ended 30 June 2009*' that you will need to refer to complete your 2009 Tax Return.

Firstly, the '*Consolidated taxation statement for the financial year ended 30 June 2009*' which summarises all of the income entitlements on the investments held in your plan, the deductible amount of expenses paid from your plan along with any relevant amounts of tax paid and tax offsets for the 2009 financial year.

Secondly, the '*Statement of Capital Gains for the financial year ended 30 June 2009*' which details all capital gains / losses on disposals of investments held in your plan during the 2009 financial year.

For all plan items required to complete your Tax Return other than Capital Gains the information is detailed in '*Part A: Summary of Tax Return*' of the '*Consolidated taxation statement for the financial year ended 30 June 2009*'. For Capital Gains items you are required to combine the Capital Gains items detailed in '*Part A: Summary of Tax Return*' with the relevant amounts from the '*Statement of Capital Gains for the financial year ended 30 June 2009*' .

If you have received income from other investments held outside the plan, you will need to combine the information from those investments with the information we have provided.

Understanding the components of your Consolidated taxation statement

Part A: Summary of tax return

This section of your taxation statement shows the income you were entitled to, allowable deductions, tax paid and tax offsets for the year ended 30 June 2009.

The Tax Return label references in this section relate to the '2009 Tax Return for Individuals' and the '2009 Tax Return for Individuals (Supplementary Section)'.

The amounts shown should be included in your Tax Return against the corresponding Tax Return Labels shown on your tax statement.

Additional information in respect of the various items in Part A of the Statement are as follows:

Interest – Tax Return Label 11L

This relates to interest paid or credited to you on interest bearing securities. It does not include distribution of interest from your trust investments in the Plan (including Cash Management Trust, Property Trust, and other investments that distributed interest). Interest received as part of trust distributions is included with non-primary production income.

Dividends – Tax Return Label 12S, 12T and 12U

This relates to dividend incomes received through the Plan from your investments in Australian companies:

- Unfranked amounts – 12S
- Franked amounts – 12T
- Franking credits – 12U

Please note:

If you do not need to lodge a tax return, you may be able to claim a refund of franking credits. You will need to obtain a copy of the refund of franking credits application form from the ATO.

Interest and dividend deductions – Tax Return Label D7

This includes all deductions incurred in your Plan in respect of deriving interest and dividend income during the year.

The amount includes any Listed Investment Company ("LIC") deductions you may be entitled to in respect of LIC dividends received during the year. Where an LIC pays a dividend that includes a LIC capital gain, you may be entitled to an income tax deduction.

The following tax deduction can be claimed on the attributable component of dividends received from LIC's:

- 50% if you are an individual; or
- 33 $\frac{1}{3}$ % if you are a complying superannuation entity

If you have a LIC attributable part of dividend detailed at 'Consolidated taxation statement Part D: LIC capital gains information' and you are not an individual the amount of interest and dividend deductions detailed at Part A of the statement needs to be adjusted.

If you have incurred expenses outside of the Plan relating to interest and dividend income you may be able to claim a deduction.

Non-primary production income – Tax Return Label 13U

This income includes all Australian income received through the Plan from trust distributions, excluding capital gains and foreign income.

Other deductions relating to distributions – Tax Return Label 13Y

This section shows you the tax deductible expenses (other than those included as interest and dividend deductions) charged to your Plan account in the income tax year. These expenses may be offset against the distribution income you have received.

You may have additional deductible expenses in relation to your distribution income. These should be disclosed at this label.

Franking credits – Tax Return Label 13Q

These franking credits are Australian tax credits that are attached to Franked Dividends that have been included in trust distributions that have been received in your Plan account.

Tax File Number amounts withheld from interest, dividends and trust income – Tax Return Label 11M, 12V and 13R

TFN withholding tax is deducted from income at the rate of 46.5% where you did not provide 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 income tax return.

Total Current Year Capital Gains – Tax Return Label 18H

This is the total amount of capital gains before any Capital Gains Tax (CGT) discount has been applied that have been included in trust distributions that have been received in your Plan account. This amount will also include any foreign capital gains.

Net Capital Gain – Tax Return Label 18A

The Net Capital Gain distributed to you is the amount remaining after the plan has applied the CGT discount to distributed capital gains received in your Plan account. The items making up this amount are detailed in Part B of your Consolidated taxation statement.

Your Net Capital Gain is the sum of your taxable Discounted Capital Gains, Indexed Capital Gains and Other Capital Gains received from trust distributions that you are presently entitled to, plus the sum of your Discounted Capital Gains, Indexed Capital Gains, Other Capital Gains and Capital Losses realised on the sale of your holdings.

Capital Gains or Losses derived from other sources will also need to be taken into account when completing this question. If Capital Losses are to be applied to a Discount Capital Gain, you must offset these losses against the gross Capital Gain and then apply the CGT discount. Please refer to the ATO publication entitled '*Personal Investors Guide to Capital Gains Tax 2009*'.

FIF Income – Tax Return Label 19C

The Foreign Investment Fund (FIF) measures apply to income and gains of foreign companies or trusts in which you have an interest (for example, a share or a unit), but you do not control.

For more information on the FIF measures please refer to the ATO publication entitled '*The Foreign Investment Funds Guide*'.

CFC Income – Tax Return Label 19K

The Controlled Foreign Company (CFC) measures apply to income and gains of foreign companies in which you had a direct or indirect controlling interest. For more information on CFC measures please refer to the ATO publication entitled '*The Foreign Income Return Form Guide*'.

Assessable Foreign Source Income – Tax Return Label 20E

As an Australian resident taxpayer you may be liable to Australian income tax on any assessable income derived from overseas investments. This amount includes foreign dividends, foreign interests and all other assessable foreign income.

Other Net Foreign Source Income – Tax Return Label 20M

You may also be entitled to tax deductions in relation to expenses incurred in earning assessable income from overseas investments. If you have no foreign income deductions then the amount at 20M will be the same as 20E.

Foreign Income Tax Offset – Tax Return Label 20O

Investors show their entitlement to Foreign Income Tax Offsets at this item (including cents). You can claim a tax offset for the foreign tax you have paid on income or gains (including gains of a capital nature), that are included in your assessable income. In some circumstances, the offset is subject to a limit.

For more information on how to work out your entitlement you will need to refer to the ATO publication entitled '*Guide to Foreign Income Tax offset rules 2008-09*'.

Example of consolidated taxation statement for the financial year ended 30 June 2009

Part A: Summary of tax return

	Amount	Tax Return Label
Tax Return		
Interest	\$305.91	11L
Tax file number amounts withheld from interest	\$0.00	11M
Dividends – unfranked amount	\$512.99	12S
Dividends – franked amount	\$3,802.01	12T
Dividends – franking credits	\$1,629.40	12U
Tax file number amounts withheld from dividends	\$0.00	12V
Interest and dividend deductions	\$64.55	D7
Tax Return (supplementary section)		
Non-primary production income	\$2,195.35	13U
Other deductions relating to distributions	\$152.95	13Y
Franking credits	\$131.10	13Q
Credit for tax file number amounts withheld from trust income	\$2,783.29	13R
Credit for tax paid by trustee	\$ 0.00	13S
Total current year capital gains	\$515.65	18H
Net capital gain	\$401.38	18A
FIF Income	\$917.72	19C
CFC Income	\$1,835.45	19K
Assessable foreign source income	\$5,421.32	20E
Other foreign source income	\$5,421.32	20M
Foreign income tax offsets	\$43.03	20O

Part B: Capital gains tax information

	Amount	
Capital gains – discount method	\$228.54	(grossed up amount)
Capital gains – indexation method	\$182.71	
Capital gains – other method	\$104.40	
Total current year capital gains	\$515.65	
Capital gains tax (CGT) concession amount	\$111.82	
Tax-deferred amount	\$340.80	

Part C: Income components

	Income and Expense	Tax paid and offsets	Taxable amount
Australian Income			
Dividend – franked amount (share)	\$3,802.01	\$1,629.40	\$5,431.41
Dividend – franked amount (trust)	\$305.91	\$131.10	\$437.01
Dividend – unfranked amount (share)	\$362.99		\$362.99
Dividend – unfranked amount (fixed interest)	\$150.00		\$150.00
Dividend – unfranked amount (trust)	\$120.00		\$120.00
Interest (fixed interest)	\$305.91		\$305.91
Interest (trust)	\$724.04		\$724.04
Other income	\$914.30		\$914.30
Capital Gains			
Discounted method (TARP)	\$24.73		\$49.46
Discounted method (NTARP)	\$89.54		\$179.08
CGT Concession amount	\$111.82		
Indexation method (TARP)	\$53.17		\$53.17
Indexation method (NTARP)	\$129.54		\$129.54
Other method (TARP)	\$29.08		\$29.08
Other method (NTARP)	\$75.32		\$75.32
Total current year capital gains			515.65
Foreign Income			
Interest income	\$2,447.27	\$0.00	\$2,447.27
Modified passive income (share)	\$86.07	\$43.03	\$129.10
Modified passive income (trust)	\$397.68	\$0.00	\$397.68
Other assessable income	\$2,447.27	\$0.00	\$2,447.27
Assessable foreign source income	\$5,378.29	\$43.03	\$5,421.32
Attributed income			\$2,753.17
Other non-assessable amounts			
Tax – exempted amounts	\$305.91		
Tax – free amounts	\$5.00		
Tax – deferred amounts	\$340.80		
Gross cash Income	\$13,228.36		
Other deductions			
TFN amounts withheld	(\$2,783.29)		
Other allowable trust deductions	(\$152.95)		(\$152.95)
Non-resident withholding tax	(\$318.35)		
Other withholding tax	(\$533.53)		
LIC Deductions			(\$64.55)
Net cash income	\$9,440.24	\$1,803.56	\$16,918.30

Part D: LIC capital gains information

	Amount
Attributable part of dividend	\$129.10

This report does not provide information about capital gains on disposal: refer to the Investment Accumulation Plan taxation statement guide and the statement of capital gains provided if you have sold investments during the financial year.

Capital gains

To determine the total current year capital gains and net capital gain amounts you are required to disclose in your Tax Return you are required to combine the Capital Gains items detailed in 'Part A: Summary of Tax Return' with the relevant amounts from the 'Statement of Capital Gains for the financial year ended 30 June 2009'.

For general information on capital gains you may need to refer to the publication, 'Personal investors guide to capital gains tax 2009' or other related publications by the ATO. There are several alternative methods under Australian taxation legislation for calculating capital gains.

The following table summarises the types of Capital Gains detailed in the 'Statement of Capital Gains for the financial year ended 30 June 2009':

Details of investments sold	How a capital gain is calculated
1 Investments held for 12 months or less (excluding purchase and sale dates)	The capital gain is the nominal gain, calculated as the capital sale proceeds less the cost base of the investment. This method of calculation is referred to as the 'Other Method' in ATO publications.
2(a) Investments purchased before 21 September 1999	<p>The capital gain is calculated using either of the following methods:</p> <ul style="list-style-type: none"> • Indexation Method, with the cost base being indexed for inflation to 30 September 1999 (the frozen indexed gain). • Discount Method, by applying a discount to the nominal gain (the discount capital gain) and no indexation of the cost base. <p>If the investor of the Plan is an individual, or trust, the discount is 50% and if the investor is a complying superannuation fund the discount is 33$\frac{1}{3}$% (the discount percentage).</p>
2(b) Investments held for more than 12 months (purchased on or after 21 September 1999)	The capital gain is calculated using the Discount Method.

To calculate capital gains on your disposals that fall within category 2(a) above you may choose the method that produces the most favourable result (lowest capital gain). The optimum choice of method may vary if you have capital losses to offset against your capital gains.

Please note, Australian residents are generally assessed on capital gains and losses on all domestic and foreign assets. The distinction between capital gains for assets classified as Taxable Australian Real Property (TARP) and assets that are Not Taxable Australian Real Property (NTARP) is irrelevant for Australian tax residents.

A non-resident for Australian tax purposes is only subject to capital gains tax on assets classified as TARP. Non-residents for tax purposes are not subject to capital gains tax on assets classified as NTARP.

To assist you we have provided the nominal gain and the frozen indexed gain for every disposal in your 'Statement of capital gains' for the financial year ended 30 June 2009.

Examples of statement of capital gains for the financial year ended 30 June 2009

Investment	Date sold	Date of purchase	Units sold	Sale proceeds	Adjusted cost base	Nominal gain/(loss)	Frozen indexed gain
Investment option 1	30/11/2008	3/03/2008	150	\$900.00	\$425.00	\$475.00	\$475.00
Investment option 2	12/04/2009	6/06/1996	845	\$10,000.00	\$7,000.00	\$3,000.00	\$2,790.00
Investment option 3	18/01/2009	20/12/2000	745	\$8,500.00	\$6,250.00	\$2,250.00	\$2,250.00
Investment option 4	2/07/2008	1/08/1995	4,000	\$7,250.00	\$10,475.00	\$(3,225.00)	-

We have used the figures from the sample statement of capital gains for the financial year ended 30 June 2009 shown above and the sample Investment Accumulation Plan Consolidated taxation statement on page 5 and 6 of this guide to illustrate how to calculate net capital gains.

We have assumed that there is no net capital losses carried forward from previous years. This is a guide only and may not be applicable to your personal circumstances. You may need to consult your taxation adviser.

The sample statement of capital gains for the financial year ended 30 June 2009 shows that the client has incurred a capital loss of \$3,225.00 on the disposal of Investment option 4. Capital losses may be offset against capital gains, such as trust distributions of capital gains and/or arising from the disposal of units/shares, in the order that minimises your overall net capital gain.

Please note that the sequence in which capital losses have been offset in this example will not necessarily be suitable in your circumstances.

Calculating net capital gain (Tax Return Label 18A)

1. The capital gain from the disposal of Investment option 1 represents a capital gain on an investment held for less than 12 months (excluding purchase and sale dates) and therefore the discount method is not available. A more favourable result is achieved by offsetting capital losses against these type and indexation type gains first:

Capital loss	(\$3,225.00)
Less nominal gain	\$475.00
Remaining capital loss	(\$2,750.00)

2. Offset remaining capital loss against distributed capital gains from Indexation Method:

Less distributed indexed gain (from trusts)		\$53.17
	– TARP	
	– NTARP	\$129.54
Remaining capital loss		(\$2,567.29)

3. Offset remaining capital loss against distributed capital gains from Other Method:

Less distributed gains from Other Method		\$29.08
	– TARP	
	– NTARP	\$75.32
Remaining capital loss		(\$2,462.89)

4. Offset remaining capital loss against capital gains from disposal of Investment option 2. As we may choose either the discount capital gain or the frozen indexed gain for each unit disposed, we have used the latter. In practice, you or your tax adviser will need to determine which combination will produce the lowest assessable net capital gain:

Less frozen indexed gain	\$2,790.00
Remaining capital gain	\$327.11

5. Calculate discount gains next, starting with the disposal of investment option 3. Here a choice of method is not available – the discount capital gain must be used:

Nominal capital gain	\$2,250.00
Apply 50% discount	(\$1,125.00)
Resultant capital gain	\$1,125.00

6. Add any other capital gain:

Distributed discount capital gain		\$24.73
	– TARP	
	– NTARP	\$89.54

(Note, these amounts are already discounted)

7. Add up the net gains:

Net capital gain using discount method:	\$1,239.27
add gains from other methods	\$327.11
Total net capital gain (Tax Return Label 18A)	\$1,566.38

Please note that if there were no capital losses (ie no disposal of investment option 4) in this example the resultant overall net capital gain would be calculated as:

Nominal Gain – shares/units		
Investment option 1		\$475.00
Add Frozen Indexed Gain		
Investment option 2		\$2,790.00
Add Discount Capital Gain – shares/units		
Investment option 3 (after application of 50% discount)		\$1,125.00
Add Capital gains from trust distributions		\$401.38
Total net capital gain (Tax Return Label 18A)		\$4,791.38

**Calculating total current year capital gains
(Tax Return Label 18H)**

To determine the total current year capital gains to be returned at Tax Return Label 18H use the following simplified worksheet:

Current year capital gains	Amount
A. Capital gains from disposal of units/shares	
Nominal gains from investments for which the discount capital gain is chosen (disposal of Investment option 3)	\$2,250.00
Capital gains from other investments (disposal of Investment option 1 and Investment option 2, \$475.00 + \$2,790.00)	\$3,265.00
Total current year capital gain disposal	\$5,515.00
B. Capital gains from trust distributions (discount capital gains multiplied by 2)	
Discounted method TARP: (\$24.73 x 2)	\$49.46
Discounted method NTARP: (\$89.54 x 2)	\$179.08
Indexation Method (\$53.17 + \$129.54)	\$182.71
Other Method (\$29.08 + \$75.32)	\$104.40
Total current year capital gain distribution	\$515.65
Total current year capital gain (A+B) (Tax Return Label 18H)	\$6,030.65

Carried Forward Capital Losses

If there are net capital losses to be carried forward to future income years, enter the amount at Tax Return Label 18V.

In this example the value is zero.

Additional information

Reminder to all investors in the Plan

Investment managers and administrators are required to report information on investment income to the ATO. The ATO uses a data matching system to check that all the taxable income you have received from investment bodies is recorded in your tax return. We provide you with information regarding your investments within the Plan to include in your tax return.

Please note it is your responsibility to include all your taxable income in your tax return.

Pay As You Go (PAYG) instalment payers in the Plan

If you have paid PAYG instalments for the 2009 financial year, you will still need to lodge a tax return.

The ATO will take into account these payments to determine how much tax is payable by or refundable to you.

Franking Credits

You may be entitled to a refund of franking credits received even if you have no tax liability and are exempt from lodging a tax return.

Please refer to the '*Refund of franking credits instructions and application for individuals 2008-09*' available from the ATO.

Non-resident investors in the Plan

The tax reporting provided has been prepared for Australian resident investors. This reporting may not be appropriate for you if you are a non-resident for tax purposes.

We are unable to provide information on the implications of any double tax agreements which may be applicable to you. Therefore, we strongly recommend you seek tax advice before lodging any tax return.

The information contained in this guide is provided for the use of investors in The Portfolio Service Investment Accumulation Plan (Plan). Questor Financial Services Limited is the Responsible Entity of the Plan and in this guide is referred to as 'we', 'our' or 'us'. We have taken every care in the preparation of this guide and no warranty is given as to the correctness of this information and no liability is accepted by us, our officers, employees or agents for any statement or for any error or omission (subject to any contrary provision of the Corporations Act and Trade Practices Act 1974 or any other relevant law).

