

Distribution Statement Glossary of Terms

Franked Dividend Income

Franked dividend income includes all taxable dividends paid by Australian companies, to which franking credits are attached (but does not include Australian franking credits paid from New Zealand companies, which are shown separately). These dividends may be fully or partially franked. This does not include foreign sourced income.

Unfranked Dividend Income

Unfranked dividend income includes all taxable dividends paid by Australian companies, to which no franking credits are attached. This does not include foreign sourced dividend income, which is included in “Foreign Modified Passive Income” discussed below.

Unfranked Dividend Income – Conduit Foreign Income

“Conduit foreign income” arises where foreign income is received by a foreign resident through one or more interposed Australian corporate tax entities. This income is subject to tax when received by an Australian resident but it is not assessable or subject to dividend withholding tax when it is received by a non-resident. Therefore, it is separately disclosed in order to assist foreign unitholders with completing their tax. For Australian residents the income is effectively taxed in the same manner as unfranked dividend income discussed above.

Interest Income

Interest income includes interest, bill discounts and other taxable income in the nature of interest, but does not include foreign sourced interest income, which is disclosed in “Foreign Interest Income” discussed below.

Other Income

Other income includes all taxable Australian income that can not be classified in the above income categories. Such income includes sub-underwriting income and distributions from property trusts, but does not include foreign sourced income or capital gains.

Australian Franking Credits from New Zealand Companies

Australian franking credits from New Zealand companies are the Australian franking credits attached to dividends received from New Zealand companies. The franking credit is reduced to the extent of any supplementary dividends paid by the New Zealand company. Broadly, if the dividend from a New Zealand company is assessable income, then the amount of the Australian franking credit attached to the dividend is also assessable income. Generally, a franking tax offset equal to the amount of the franking credit included in assessable income may be claimed.

Discount Capital Gains Income¹ – TARP and NTARP

“Discount capital gains income – TARP” represents the net (taxable) amount of all discounted capital gains calculated under the capital gains tax rules after allowance of the 50% discount provided for under those rules and where the underlying assets of the trust have a necessary connection with Australia or constitute taxable Australian property.

“Discount capital gains income – NTARP” represents those discount capital gains that do not have the necessary connection with Australia or do not constitute taxable Australian property. Broadly, a non-resident beneficiary of a trust will no longer be subject to Australian withholding tax on such gains.

Where a unitholder has been distributed discount capital gains, the unitholder is required to gross up (ie multiply by two) the taxable discount capital gains (TARP and NTARP) amount. The grossed up capital gain is then included in the calculation of the unitholder’s net capital gain.

Depending upon the individual circumstances, the unitholder may then be entitled to apply the relevant CGT Discount or Small Business CGT Concession to the grossed up TARP/NTARP amount. For completeness, non-resident beneficiaries will not be subject to Australian withholding tax in respect of the gross up of the NTARP discount capital gains income amount.

The 50% discount component is classified “CGT Concession Amount” and is discussed below. There is no requirement to identify whether the CGT concession amount has a necessary connection with Australia or constitutes taxable Australian property as this amount is not taken into account in the gross up calculation for tax purposes.

CGT Concession Amount

This represents the 50% non-taxable component of the Discount capital gains amounts calculated for the entity (as referred to in s104-71(4) ITAA 1997). The CGT Concession Amount shown is net of capital loss or net capital loss applied by a trust (or another trust in the chain) to reduce capital gains made, as reflected in the payment to the unitholder.

The tax free discount capital gains income does not affect a unitholder’s cost base or reduced cost base of units in a trust – refer to s104-70(4) and s104-71(4).

Indexed and Other Capital Gains Income – TARP and NTARP

“Indexed and Other Capital Gains Income – TARP” represents capital gains subject to the capital gains tax rules that can not be classified as discount capital gains. These gains include capital gains made under the “indexation” and “other” methods where the underlying assets of the trust have a necessary connection with Australia or constitutes taxable Australian property. These gains are included in the calculation of the unitholder’s net capital gain.

“Indexed and Other Capital Gains Income – NTARP” represent those net capital gains that do not have the necessary connection with Australia or do not constitute taxable Australian property. Broadly, a non-resident beneficiary of a trust will no longer be subject to Australian withholding tax on such gains.

¹ From 12 December 2006, the capital gains tax rules as they apply to non-residents were changed such that a capital gain or capital loss that a foreign resident makes from a CGT event is disregarded for Australian tax purposes unless the event relates to an asset that is “taxable Australian real property (TARP)”. TARP or Non TARP (NTARP) replace the previous concept of assets “having the necessary connection with Australia” (CWA) or “without the necessary connection with Australia (NCWA)”.

Foreign Interest Income

Foreign interest income includes taxable interest on deposits derived outside of Australia. This income may or may not have foreign tax credits attached. Foreign tax credits will arise where tax has already been paid in a foreign jurisdiction on that interest. Your statement(s) will show foreign interest income with credits and foreign interest income with no credits as separate components.

Foreign Modified Passive Income

Foreign modified passive income is the amount of taxable dividends received from foreign companies. It also includes foreign sourced foreign exchange gains or losses relating to assets held on capital account. This income may or may not have foreign tax credits attached. Your statement(s) will show foreign modified passive income with credits and foreign modified passive income with no credits as separate components. Your statement also discloses FIF and CFC attributed income separately from other foreign modified passive income received.

Attributed Income (CFC and FIF)

This income is attributed under the foreign investment fund (FIF) and controlled foreign corporation (CFC) rules. This income is also a form of Foreign Modified Passive Income but it is disclosed as a separate component to assist unitholders in completing their own tax obligations.

Foreign Other Income

Foreign other income includes all taxable income sourced outside of Australia that is not classified under the other foreign income categories. This income may or may not have foreign tax credits attached. Your statement(s) will show foreign other income with credits and foreign other income with no credits as separate components.

Tax Exempt Income

Tax exempt amounts are amounts referred to in subsection 104-71(1) ITAA 1997 and currently includes the following amounts that have been distributed to a unitholder but are not assessable to them:

- Non-assessable non exempt income
- Amounts paid from an amount that has been assessed to the trustee
- Amounts paid from an amount that is personal services income included in the unit holder's assessable income or another entity's assessable income under s86-15 ITAA 1997
- Amounts repaid by the unit holder
- Compensation the unit holder paid that can reasonably be regarded as repayment of all or part of the payment
- An amount that is exempt under the small business 15 year exemption.

These amounts do not affect a unitholder's cost base or reduced cost base of units in a trust.

Tax Free Income

Tax free amounts are amounts referred to in s104-71(3) ITAA 1997. This component currently includes the proceeds from a CGT event that happens in relation to shares in a company that was a Pooled Development Fund when the event happened. The component also includes non-assessable amounts arising from infrastructure borrowings under s159GZZZZE and exempt income arising from shares in PDF under s124ZM and s124ZN ITAA 1936.

These amounts do not affect a unitholders cost base but do affect their reduced cost base of units in a trust (refer to s104-70(6)).

Tax Deferred Income

A distribution of tax deferred income represents a non-taxable component of the distribution. Items which may make up the tax deferred component include distribution of building allowance made on or after 1 July 2001, distributions from the asset revaluation reserve (ie. unrealised gains in the value of investments) and distributions from the tax differences reserve (ie. items that are brought to account in different periods for income tax and accounting purposes.). These amounts are referred to in 104-70(1) ITAA 1997.

Tax deferred amounts reduce a unitholders cost base and reduced cost base of units in a trust.

Tax Deferred – Return of Capital

This item is also classified as tax deferred income and arises where the trust has made a return of unitholders capital during the year. Tax deferred amounts reduce a unitholders cost base and reduced cost base of units in a trust.

Where cost base is reduced to nil

Where the total tax deferred and return of capital amounts received exceeds a unitholder's cost base, the excess is treated as a capital gain derived by the unitholder and the unitholder's cost base and reduced cost base in the unit is reduced to nil.

Important:

Please note 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 advisor.

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