Understanding your Flexible Lifetime® – Investments: Tax Guide

Tax and AMMA Statement for 2024

We have put together this information to help you understand your Flexible Lifetime – Investments Tax and AMMA Statement for 2024 and to assist you in completing your 2024 tax return. References in this document to your "tax statement" include your AMIT Member Annual (AMMA) Statement in relation to Attribution Managed Investment Trusts (AMITs) you have invested in.

What you need to complete your 2024 tax return

- Flexible Lifetime – Investments Tax and AMMA Statement for 2024.
- This guide.

Plus

- The Australian Tax Office's (ATO):
  - 2024 Tax return for individuals.
  - 2024 Tax return for individuals (supplementary statement).
  - Personal investors guide to capital gains tax 2024.

To obtain any of the above ATO publications please contact:

- ATO's Publications Distribution Service on

  1300 720 092, or
- visit the ATO website (**ato.gov.au**).

Does this guide apply to you?

This tax guide has been prepared for individuals. For other types of tax entities (e.g. company, superannuation fund or trust) you should contact your professional tax adviser or refer to the ATO's guidelines before completing your 2024 tax return.

Note for individual investors: If you are an individual investor, we recommend you seek professional tax advice if you acquired or disposed of your investment:

- as a result of a court order relating to the breakdown of marriage or a maintenance agreement
- through a transfer of ownership
- from a deceased estate.

This is because your net capital gain/loss treatment may be different from the information provided.

About your tax statement and this guide

Your Flexible Lifetime – Investments Tax and AMMA Statement for 2024 contains taxation information you need to complete your tax return.

In preparing your statement and this guide we have assumed:

- you are liable to pay income tax
- you are an individual Australian resident for tax purposes for the entire tax year
- the only investments you own are in your Flexible Lifetime – Investments (if you hold other investments you will need to include details of these in your 2024 tax return).

Note for joint investors: If you hold your Flexible Lifetime – Investments in joint names you will need to apportion the amounts shown on your statement.

Your tax statement and this guide applies equally to AMITs and non-AMITs (unless otherwise stated).

We have made other assumptions throughout this guide.

Details are included in the relevant sections.

Your tax statement for 2024

Your tax statement contains the following sections:

- 2024 tax return information
- Tax component details - consolidated
- Distribution component details for each investment option
- Capital gains and capital losses from the sale of your investments - breakdown.

2024 tax return information

Refer to the Tax return for individuals (supplementary section) in your Flexible Lifetime – Investments Tax and AMMA Statement for 2024. This section is designed to directly highlight the different components of income and net capital gain/loss you have received from distribution payments or attribution amounts (for AMITs) and refers you to the relevant section in items 13, 18, 19 and 20 of the 2024 Tax return for individuals (supplementary section).

Item 13

Distribution received or attribution (for AMITs) through a trust of income with an Australian source, and your share of entitlement to tax offsets. Net capital gains, attributed foreign income and other foreign source income are not included in this item, but are included in other parts of your income tax return.

Item 18

The following rules were applied in relation to your net capital gain shown at Item 18:

- Your total current year capital gains (18H) is made up of the capital gains from distributions or attribution (for AMITs) and any sale of investments.
- In calculating your net capital gain or loss (18A or 18V), we have assumed the following order to offset your capital losses against capital gains:
  - Capital gains – other method
  - Capital gains – indexation method
  - Capital gains – discount method (grossed up method).

Notes:

- We have also assumed that you have no carried forward capital losses, or capital gains and capital losses from other sources. If you have, please refer to the ATO's **Personal investors guide to capital gains tax** or contact your professional tax adviser.
- NTARP Capital Gains (FITOs) (Discounted and Other method) are stated net of the foreign tax gross up, these gross ups are included with foreign income at Item 20E. For details of the foreign gross up and related foreign income tax offset (FITO) related to the NTARP capital gains please refer to the section **'Other information for your 2023/2024 Tax Return'** on the AMMA statement.

Item 19

Attributed foreign income from any indirect controlled foreign company or (19K) distributed or attributed (for AMITs) through a trust.

Item 20

An amount will be shown if your investment option distributed or attributed (for AMITs) foreign interest, dividends or other foreign source income net of relevant deductions and any foreign tax paid.

Tax component details - consolidated

This section provides a summary of distribution payments (by component) you have received or taxable income you have been attributed (from AMITs) for the financial year. For details of this information by investment option, please refer to the section **Tax component details – for each investment fund**.

For trusts that are AMITs, it is possible that the amounts of taxable income attributed are less or more than the actual cash distributions in relation to the same income components. The difference between attribution and cash distribution would be taken into account in calculating the cost base increase/decrease amount of your investment in an AMIT (further discussed below).

Note: Your statement includes distributions that were declared or amounts attributed (for AMITs) for the 2023/24 financial year (but not necessarily paid in the financial year).

Australian income

Includes franked dividends, unfranked dividends, interest and other income – net of deductions such as bank charges and expenses deducted by the fund manager.

Capital gains from distributions

Capital gains derived by the sale of assets in each investment option. In certain situations, the capital gain can be calculated using the discount or indexation method. For your personal net capital gain/loss from the sale of your investments – refer to the **Capital gains and capital losses from sale of your investments breakdown** section in the tax statement.

Foreign income

Arises when investment options distribute or attribute (for AMITs) foreign interest, dividends or other foreign source income, net of relevant deductions.

Other non-assessable amounts

Includes the following amounts:

- Tax deferred income arises from the depreciation of assets and other allowances and is included in 'Tax deferred/Other non-attributable amounts'. Tax deferred income is deducted from the cost base of your investment when you are calculating capital gains and capital losses.
- Tax free income arises from infrastructure borrowings and certain other types of exempt income. Tax free income is deducted from the cost base of your investment only when you are calculating capital losses.
- Non-assessable non-exempt (NANE) income generally arises from the receipt of certain foreign income. This income has no effect on the cost base of your investment.
- 'Other non-attributable amounts' item relates to trusts that are AMITs. It includes tax deferred income (including returns of capital) and tax free income. These amounts are aggregated as part of the AMITs' cash distributions to determine whether a cost base increase/decrease may apply to your investment in AMITs (refer to the capital gains tax section in this guide).

Note: We have made these adjustments to the cost base when calculating your capital gains and capital losses.

TFN tax amounts deducted

If you have not provided Flexible Lifetime – Investments with your Tax File Number (TFN) or Australian Business Number (ABN) or exemption, we will deduct tax at the top marginal rate from your distributions, redemption proceeds or deemed payments (as discussed below for AMITs) and pay this to the ATO. Generally, you can claim a credit for this tax paid when you lodge your tax return.

Franking credits

These are tax offsets received from Australian shares and represent tax already paid by a company on its profits.

As a general rule, franking credits equal the franked dividend amount multiplied by 30 divided by 70. However, this ratio may be higher on your statement due to expenses applied against the franked dividend at the trust level.

Legislation may stop you claiming franking credits in certain circumstances if you have not held your units for a requisite period of time. You should talk to your professional tax adviser to confirm if you are eligible to claim the franking credits shown in your tax statement.

Foreign income tax offsets

These are tax offsets from overseas investments where foreign tax has been paid on the income or capital gains from those investments. You may be able to apply these offsets against your tax liability, subject to prescribed limits.

We note that the amount included at label 20O of the AMMA for FITOs related to 'Foreign income tax offset on Discounted capital gain NTARP' has been proportionately reduced to the extent that capital losses have been applied to reduce the relevant NTARP capital gains at the Fund level and have also been reduced for the application of the 50% capital gains tax discount at the Fund level. The amount included in 20O for 'Foreign income tax offset on Capital gain other – NTARP' has been proportionately reduced to the extent that capital losses have been applied to reduce the relevant NTARP capital gains at the Fund level.

The law on entitlement of investors to claim foreign income tax offsets is particularly complex and has been subject to recent changes (including recent guidance in relation to the claim of foreign income tax offsets relating to capital gains). We recommend that you refer to the ATO's publication **'Guide to foreign income tax offset rules 2024'** for further information and/or contact your professional tax advisor for advice on whether you can use these foreign income tax offsets.

Capital gains – discount method (grossed up)

Capital gains – discount method (grossed up) is your capital gain before any discount is applied.

Special rebates

This includes any Management Fee rebate and/or Planner Servicing rebates you received. These rebates are classed as other Australian income for tax purposes.

TFN deducted – special rebates

If you have not provided your TFN, ABN (or exemption), or you are a non-resident taxpayer, we have deducted tax and paid it to the ATO from any Management Fee rebate and/or Planner Servicing rebates you received.

Capital gains and losses from the sale of your investments - breakdown

You may have realised capital gains/losses during the year if you have sold units or if any cost base reduction to your investment exceeds the existing cost base (refer to section on cost base adjustment below). Units are sold if you:

- make a full or partial withdrawal
- have a Regular Withdrawal Plan
- switched investment options
- have paid planner servicing fees.

For details on the Capital Gains Tax method we have applied, please refer to the **Notes** and **Frequently Asked Questions** sections at the end of this guide.

Note: We have assumed that you do not hold your investments as trading stock and that you did not acquire them in circumstances where any profit on disposal would be assessable as ordinary income.

If you have, you should talk to your professional tax adviser.

The information provided in the 'Capital gains and losses from sale of your investments – breakdown' section has been calculated for individual Australian tax residents.

If you are a non-resident for Australian tax purposes, a company or superannuation fund and have withdrawn units during the 2023/24 financial year, we recommend you obtain professional tax advice, as your net capital gain/loss treatment may be different.

Notes

Capital Gains Tax

Capital gains and capital losses for Capital Gains Tax (CGT) purposes arise when you trigger a CGT event such as a sale of units (including switching investment options). You may also receive a distribution or attribution (for AMITs) of capital gains from the investment option you invest in (even if you reinvest your distribution payments).

A capital loss occurs from a CGT event when the capital proceeds you receive is less than the reduced cost base (what you paid for it, and subsequent cost base adjustments).

CGT implications of cost base adjustment

For trusts that are not AMITs, the cost bases of your investments may be reduced by certain non-assessable amounts such as tax deferred income, tax free income and return of capital (refer above).

For trusts that are AMITs, the cost bases of your investments may be increased or decreased depending on the difference between:

- your cost base decrease amount, comprised of your total cash distribution received and attributed tax offsets (e.g. franking credits, foreign income tax offsets); and
- your cost base increase amount, comprised of your attributed taxable and NANE income (including any gross up for tax offsets) and CGT gross up amount equal to the amount of discounted capital gains attributed.

The cost bases of your AMIT investments will be increased if the cost base increase amount is greater than the cost base decrease amount (and vice versa). Please refer to the section **AMIT cost base net amount** (for each investment option) for your AMIT cost base increase or decrease amount for each investment option.

For both investments in AMIT and non-AMIT trusts, a capital gain will arise to the extent that a cost base reduction exceeds the existing cost base.

If you made a capital loss

For trusts that are not AMITs, we have made the necessary adjustments to the cost base, taking into account tax deferred and tax-free income and any return of capital amounts received.

For trusts that are AMITs, we have made the necessary adjustments to the cost base taking into account the cost base increase or decrease amounts as described above.

If you made a capital gain

- If you acquired units before 21 September 1999, and you held those units for more than 12 months, you can use either the capital gains – indexation method or capital gains – discount method. We have used the most favourable capital gain method available to you for each CGT event disclosed on your statement.
- If you acquired units on or after 21 September 1999, and you held those units for more than 12 months, we have applied the capital gains – discount method. This is the only method available to you. The amounts shown are 'grossed up' – this means we have shown these figures before the 50% discount is applied.
- If you acquired units on or after 21 September 1999, and you held those units for less than 12 months, we have applied the capital gains – other method. This is the only method available to you.

Supplementary notes for non-residents of Australia

If you are a non-resident taxpayer, we will deduct tax from your distributions or redemption proceeds at the relevant withholding tax rate, where required.

For trusts that are AMITs, if cash distributions are less than the taxable income attributed, withholding tax may also apply on the non-cash portion of taxable income attributed. Therefore, the tax withheld may not be equal to a direct percentage of your cash distribution received.

If you are a non-resident taxpayer, the following components affect the amount of withholding tax deducted from your distribution.

These additional components have been included in your Tax or AMMA Statement for 2024 under the section **Tax component details – consolidated**.

Australian income - unfranked dividends Conduit Foreign Income

This relates to any part of unfranked dividends paid by an Australian corporate tax entity that it declares to be Conduit Foreign Income (CFI). If you are a non-resident for tax purposes, you are not required to pay Australian tax on unfranked CFI dividends.

NCMI and Excluded NCMI

Certain trusts may distribute or attribute (for AMITs) 'Non-Concessional Managed Investment Trust income' (NCMI) or 'Excluded NCMI' (ExNCMI) income. Such income is categorised as either 'other Australian income' or 'capital gains'.

A higher rate of withholding tax can apply to NCMI, which may include certain income from stapled structures, residential housing and agricultural rent and capital gains, and indirect trading trust income.

Excluded NCMI amounts are subject to a lower rate of withholding than NCMI due to the operation of transitional provisions.

TAP and NTAP

Capital gains TAP (Taxable Australian Property) are capital gains derived from Australian real property assets. Withholding tax is deducted from such gains when distributed to non-residents. Capital gains NTAP (Non-Taxable Australian Property) represent gains on assets that are not TAP assets, and will generally not be subject to withholding tax when distributed to non-residents.

CBMI

Clean Building Managed Investment Trust income (CBMI), relates to fund payments from a clean building MIT to a foreign resident, including where made indirectly through one or more Australian intermediaries. A fund payment is a distribution of rental income (categorised as 'other Australian income') and 'capital gains' derived from 'green' buildings and, may attract a lower rate of withholding tax.

Deemed payments

For trusts that are AMITs, if cash distributions are less than the taxable components attributed, withholding tax may also apply on 'deemed payments'. Deemed payments represent the non-cash portion of attributed taxable income.

Frequently Asked Questions

Important: The following information is provided as a general guide only. We recommend you discuss your personal situation with your professional tax adviser.

Can I claim a tax deduction for management fees and contribution fees?

Management fees have already been deducted from distributed or attributed (for AMITs) income and reflected in the unit prices. Management fees are treated as a deductible expense included in the calculation of taxable income in the tax statement.

Contribution fees are not tax deductible.

Should I include Management Fee rebates and Planner Servicing rebates in my tax return?

These rebates are considered assessable income and have already been included (where applicable) in the amount shown as Other income Category 4: Rebates.

Management Fee rebates and Planner Servicing rebates are also shown separately as Special rebates under the section **Other Information**.

Can I claim a tax deduction for Planner Servicing Fees?

Under some circumstances you may be able to claim Planner Servicing Fees paid as a tax deduction. The amount you can claim will depend upon your circumstances and the nature of the services provided by your planner. We recommend that you seek professional tax advice.

If I have not sold any units, why do I have capital gains?

Part of each distribution payment or attribution amount (for AMITs) you receive may contain a capital gains component (even if you reinvest your distribution payments). Capital gains may also arise from a cost base reduction which exceeds the existing cost base, as described above.

What do I do, if my investment is held in more than one name?

If the investment is held in two or more names, you will need to apportion amounts of all income, tax offsets, capital gain, etc. Each investor will need to declare their share of these amounts in their tax return.

What are the different methods used to calculate capital gains or loss?

Capital gains and losses are calculated by subtracting the cost base (or reduced cost base) from the capital proceeds arising from a CGT event. There are three ways of calculating capital gains or losses:

- **Indexation method –** this method allows an increase in the cost base by applying an indexation factor that is based on the Consumer Price Index (CPI) up to September 1999. This method may be applied to assets held for 12 months or more and acquired before 11.45am on 21 September 1999.
- **Discount method –** if you held your assets for more than 12 months, this method allows you to reduce your capital gain (after subtracting any capital losses) by applying a 50% discount. Companies are not eligible to discount capital gains, whilst the discount for complying superannuation funds is one third.
- **Other method –** When the indexation and discount methods do not apply and your assets were bought and sold within 12 months.

What is Affordable Rental Housing property?

Where a trust has made a capital gain from investment in affordable rental housing, an Australian resident individual may be eligible to claim an additional affordable housing discount of up to 10% in their individual tax return - refer to the **Notes** section of your Tax or AMMA Statement, to determine whether this applies.

Contact us

If you would like to know more about how AMP can help you, please contact your adviser or AMP:

phone 133 267
fax 02 8837 7860
web amp.com.au/fli
email trustinfo@amp.com.au
mail (No stamp required)
Flexible Lifetime –
Investments
Reply Paid 79281
PARRAMATTA NSW 2124