



PERENNIAL

Guide to your tax statement FY2016/17



Important information

This guide has been prepared by Perennial Investment Management Limited (PIML) ABN 13 108 747 637, AFS License No. 275101 as the responsible entity for the Perennial Trusts (the Trusts). The investment manager for the Trusts is Perennial Value Management Limited (Perennial Value) ABN 22 090 879 904, AFSL 247293. This guide contains general taxation information and this information is not a substitute for any instructions from the Australian Taxation Office. Neither PIML or Perennial Value are registered tax agents or registered tax (financial) advisers. You should consider the appropriateness of this information, having regard to your individual circumstances. Australian taxation laws are complex so we recommend you seek taxation advice from a registered tax agent or registered tax (financial) adviser before making any decision based on the information contained in this guide. The information in this guide is given in good faith and has been prepared based on information that is believed to be accurate and reliable at the time of publication.

About this guide

PIML is the responsible entity for the following Trusts:

Perennial Value Australian Shares Trust ARSN 093 699 560
Perennial Value Shares for Income Trust ARSN 100 098 486
Perennial Value Smaller Companies Trust ARSN 099 824 101
Perennial Value Shares Wholesale Trust ARSN 096 451 900
Perennial Wealth Defender Australian Shares Trust ARSN 168 966 701
Perennial Value Microcap Opportunities Trust ARSN 611 100 166
Perennial Value Active Plus Shares Trust ARSN 617947592
Perennial Volatility Alpha Trust ARSN 616 350 979

(the **Trusts**)

If you have an investment in any of our Trusts you can use this guide to help you complete your Individual tax return 2017 (tax return).

The information in this guide is designed for **Individual Australian resident taxpayers**, who hold their investments for long term investment purposes and as such, are treated on capital account for taxation purposes.

This guide is not intended for use by those with investments held in the name of a company, trust, superannuation fund or partnership, by those who hold their investments on revenue account or by those who are non-residents for tax purposes.

The purpose of this guide

The primary purpose of this guide is to help individual taxpayers complete their Individual Tax Return 2017, including the Tax return for individuals (supplementary section) 2017. A section on capital gains tax discount rates has been provided at the end of the guide to help non-individual taxpayers complete their respective tax returns.

You should have received a tax statement for each Trust that you received a distribution from for the 30 June 2017 financial year. The tax statement is a record of your present entitlement to income from your investment during the financial year. You should refer to your tax statement when completing your tax return.

On your tax statement, we have indicated the amounts that need to be included in your tax return. Each component of your distribution is explained in this guide.

Your tax return and your tax statement

In your tax return, you must declare income that you became presently entitled to during the period 1 July 2016 to 30 June 2017. Note that it may not coincide with the actual cash distribution you have received during the same period.

In addition, special rules apply in relation to franking credits attached to Australian franked dividends or foreign tax paid on foreign income.

Expenses that relate to earning your income may be tax deductible and may be claimed on your tax return.

Guide to completing your tax return

- ▶ All amounts are expressed in Australian currency.
- ▶ To begin completing your individual tax return, you will need to obtain copies of the 'Tax return for individuals (supplementary section) 2017' and the 'Individual tax return instructions supplement 2017'. The 2017 Instruction Booklet is available from the ATO – download it from the ATO website or call 1300 720 072.

The 2017 Instruction Booklet will refer you to additional information including the supplementary tax return instructions which are available on the ATO website – <https://www.ato.gov.au/Individuals/Tax-return/>

- ▶ The label references in this guide relate to the Individual tax return instructions supplement 2017.
- ▶ If you have capital gain amounts or received franking credits as part of your distribution, you may need to obtain a copy of the publications entitled 'Guide to capital gains tax 2017' and 'You and your shares 2017' from the Australian Taxation Office (ATO).

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

Part A – Tax return information

This section of your tax statement highlights the major components of your distribution. For investors with straightforward circumstances, this information should help you complete the supplementary section of your tax return. The tax return label references in Part A of your tax statement are from the 'Tax return for individuals (supplementary section) 2017'.

A breakdown of the distribution components is shown in Part B and Part C of your tax statement.

1. Label 13A – Share of credit for amounts withheld from foreign resident withholding

This item includes amounts withheld from some payments to specific recipients due to the operation of the foreign resident withholding regime. The credits may be in respect of Australian income you have received as a foreign resident, or managed investment trust withholding. Like other tax credits, the credits for foreign resident amounts withheld may be offset against your Australian tax liability from your taxable income.

2. Label 13C – Franked distributions from trusts

This item includes franked dividends, grossed up for any franking credits, that have been paid or credited to your account from your investment in Australian unit trusts.

3. Label 13U – Share of net income from trusts, less capital gains, foreign income and franked distributions

This item includes interest, unfranked dividends, and other income that has been paid or credited to your account from your investment in Australian unit trusts. It excludes capital gains, foreign income and franked distributions which are shown separately on your tax statement.

4. Label 13P – ABN Withholding Credits

This item includes amounts withheld from some payments to specific recipients for not providing their ABN. Like other tax credits, the credits for ABN amounts withheld may be offset against your Australian tax liability from your taxable income.

5. Label 13Q – Share of franking credit from franked dividends

This item includes your share of franking credits (including cents) from trusts. Franking credits are Australian tax offsets that are attached to franked dividends from trust distributions you received. Your entitlement to claim franking credits as a tax offset against your Australian tax liability is subject to you satisfying the 'holding period rule'.

For further information on the holding period rule you should consult the ATO publication entitled 'You and your shares 2017'.

6. Label 13R – Share of credit for tax file number amounts withheld from interest, dividends and unit trust distributions

This item is the total tax withheld from income received by the Trust and tax withheld from distributions paid to you by the Trust, where you did not supply your tax file number (TFN).

7. Label 13S – Share of credit for tax paid by trustee

At this item unit holders show their share of any credit for tax paid or payable by the trustee.

8. Label 13Y – Other deductions relating to distributions

This item is the tax deductible expense charged to your account in the income tax year. These expenses may be deducted against the distribution income you received.

If you have incurred additional deductible expenses in relation to your distribution income these should also be disclosed at this label.

9. Label 18H – Total current year capital gain

This item is the total amount of capital gains before any capital gains tax (CGT) discount is applied. This amount also includes foreign capital gains (if applicable).

10. Label 18A – Net capital gain

This item is the net capital gain after the trust has applied any capital losses or applicable CGT discount. The items making up this amount are detailed in Part B of your tax statement.

Your net capital gain is the sum of your taxable discounted and non-discounted (other) capital gains that you are presently entitled to from your trust distribution, plus your realised discounted and non-discounted (other) capital gains and realised capital losses from the redemption of your investment during the financial year (if any).

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, ensure you offset these losses against the gross capital gains first before applying the CGT discount. The discount rate that has been applied to your discount gains can be found in the section Information for investors, with reference to your entity type on your tax statement.

Please refer to the ATO publication entitled 'Guide to capital gains tax 2017' for further information.

11. Label 19K – Foreign entities – CFC income

This item applies to income and gains of foreign companies to which you had a direct or indirect controlling interest. For more information on CFC (Controlled Foreign Company) measures please refer to the ATO publication entitled 'Foreign income return form guide 2017'.

12. Label 20E – Assessable foreign source income

This item includes income from your overseas investments. It comprises assessable foreign dividends, foreign interest and all other assessable foreign income (including foreign tax withheld on income not already shown on your tax return) for which you are liable to pay Australian income tax on as an Australian resident. It excludes foreign net capital gains (which should be included at Label 18).

If you have foreign income or losses from other sources, you will need to take these into account when completing this label.

For further information, please refer to the instructions in the 'Individual tax return instructions supplement 2017'.

13. Label 20M – Other net foreign source income.

This item takes into account all foreign deductible expenses incurred in earning foreign sourced income. The sum of the foreign deductions is to be subtracted from your assessable foreign source income (shown at label 20E) to arrive at the net foreign source income.

Note that if you have no foreign income deductions then the amount included at label 20M will be the same as label 20E.

For further information, please refer to the instructions in the 'Individual tax return instructions supplement 2017'.

14. Label 200 – Foreign income tax offsets

This item is your share of foreign income tax offset (including cents). The foreign income tax offset represents the amount of foreign income tax withheld in another country on income received by the Trust.

If your foreign income tax offset from all sources for the year is no more than \$1,000 you can claim this amount in full.

If you are claiming more than \$1,000 you should refer to the ATO publication 'Guide to foreign income tax offset rules 2017' in order to work out your entitlement.

15. Label 20F – Australian franking credits from a New Zealand franking company

This item is the franking credits arising from tax paid in Australia by New Zealand companies. The dividend, net of the Australian franking credits from New Zealand franking companies, is included as part of your foreign source income (per label 20E above).

To check your eligibility to claim the Australian franking credits from New Zealand companies please refer to the ATO publication entitled 'You and your shares 2017'.

16. Label 24V – Other income

This item is the management fee rebate applied to your account during the income year. This amount has not been included as part of your distribution income but is assessable income and should be disclosed as such.

Part B – Capital gain tax information

This section of your tax statement provides further tax information regarding 18H from Part A, which shows total current year capital gains. These are the capital gains distributed to you and should you have gain/losses from other sources you will need to take these into account when determining your CGT position.

Capital gains, discounted method

This amount is the 'grossed-up' discounted capital gain.

Capital gains, other method

This figure is taken from the Taxable amount column of the capital gains section in Part C.

Total current year capital gains

This amount is shown in brackets in the Taxable amount. Column in Part C.

CGT concession amount

This figure is taken from the Cash distribution column in Part C.

Tax-deferred

This figure is taken from the Cash distribution column of the 'Other non-assessable amounts' section in Part C.

Part C – Distribution components

This section of your tax statement gives you a detailed breakdown of your distribution components. The additional information and notes in Part C of the tax statement may be required to complete your income tax return.

Australian income

Australian income details the distribution of non-primary production income that has been paid or credited to your account from your investment in Australian unit trusts.

Non-primary production income consists of franked and unfranked dividends, interest and other income. The franked dividend component details your eligibility to franking credits which may be refundable to you.

Capital gains

Discounted capital gains

These are capital gains that are eligible for the CGT discount. The entire amount of the gain has been distributed to you. The taxable portion, after application of the CGT discount, is shown under the heading Discounted capital gain TAP and NTAP Taxable Amount and the non-taxable portion is shown as CGT concession.

Indexation Method

These gains have been calculated using the indexation method.

Other capital gains

These gains have either been calculated for assets held for less than 12 months. The entire amount of the gain is taxable.

TARP and non-TARP capital gains

For Australian resident investors, the split of capital gains between Taxable Australian Real Property (TARP) and non-TARP can be disregarded for the purposes of completing your tax return.

The split of capital gains between TARP and non-TARP is only relevant for non-resident investors, who generally only pay Australian tax on TARP capital gains. If you are a foreign resident investor, you may be entitled to an exemption from CGT on capital gains derived from assets that are classed as non-TARP.

Please note that the law has been amended to remove or reduce the CGT discount on capital gains made, after 8 May 2012, by non-resident individuals. Please refer to the ATO publication 'Guide to capital gains tax 2017' for further information.

We suggest that you seek professional taxation advice in regards to the application of the capital gains tax regime to your own individual circumstances.

Foreign income

For Australian resident investors, the income you receive from an overseas source must be included in your tax return. Foreign capital gains are not included here; rather these amounts are disclosed at Label 18 (capital gains).

If you are a non-resident investor, foreign income distributed to you may not be assessable in Australia. We suggest you seek professional taxation advice regarding your Australian tax obligations in respect of the foreign income you received.

Non-assessable amounts

This comprises tax free, tax deferred, return of capital, tax exempt amounts that have been distributed to you. The tax free, tax deferred and return of capital components will affect either the cost base (or reduced cost base) of your investment and in some cases may be required to be included in your tax return.

For further information regarding the treatment of these amounts, please refer to the ATO publication entitled 'Guide to capital gains tax 2017'.

For more information

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