

North

Attribution Managed Investment Trust (AMIT) funds

**Attribution income and cost base
adjustment in North Tax Reports explained**

Note: This guide is only intended as an interpretation of the AMIT regime, its current process, and the terms used in your tax report and may not correspond to the definitions or the terms contained in income tax legislation. The taxation information provided is based on the continuance of present laws and their interpretation.

AMIT attribution income background

A managed investment trust (MIT), also known as a managed fund, is a type of unit trust in which members of the public collectively invest in passive income activities, such as shares, property or fixed interest assets.

For 2015–16 and later years, a MIT may choose to apply the attribution rules in Division 276 of the Income Tax Assessment Act 1936. Where that choice is made, the MIT becomes an attribution managed investment trust (AMIT). This means MITs can now “attribute” taxable income to investors, without the need to make a distribution payment to unit holders. In effect, AMITs no longer need to pass through all the income immediately, as is the case with traditional trusts.

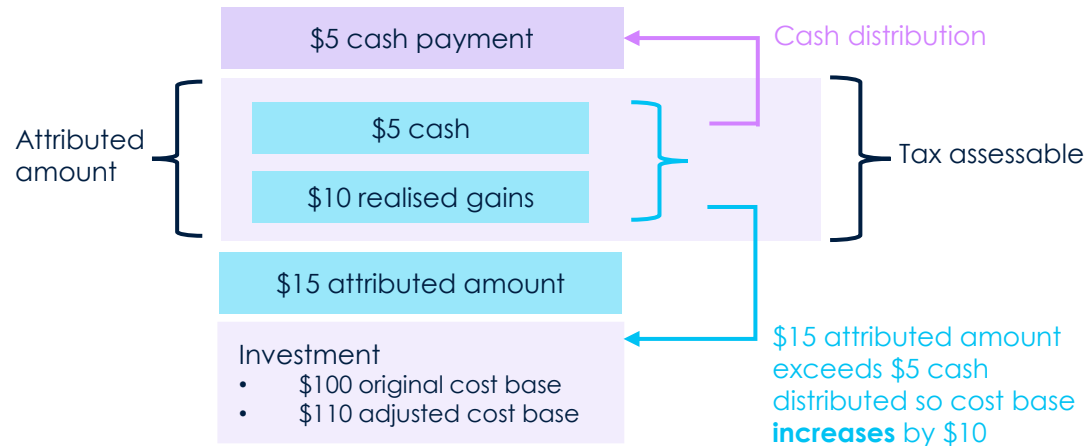
The attribution rules ensure that amounts from the trust retain their tax character as they flow through to you, so that for taxation purposes the amount is treated as if you had earned the income directly in your own right. In relation to capital gains, those rules mean you will treat the capital gains component of your trust income as your own capital gain. In effect, this becomes a formal system for the AMIT to allow errors in calculating taxable income (referred to as ‘unders and overs’) as the AMIT will elect for capital gain treatment for gains and losses on certain assets within the fund.

These rules also mean that the cost base of your units in an AMIT may have annual increase or decrease adjustments (the difference between the amount of income allocated and the amount distributed). After a cost base adjustment is made, it defers the cash effect for the AMIT member to the time when their interest in the AMIT is realised.

Your share of trust amounts attributed to you is shown in Sections 4 & 5 of your tax statement and the income adjustments have been explained in the following slides.

AMIT funds, distributions and cost base adjustments

When assessable and non assessable, non exempt amounts attributed to you are **more** than the cash distributed.



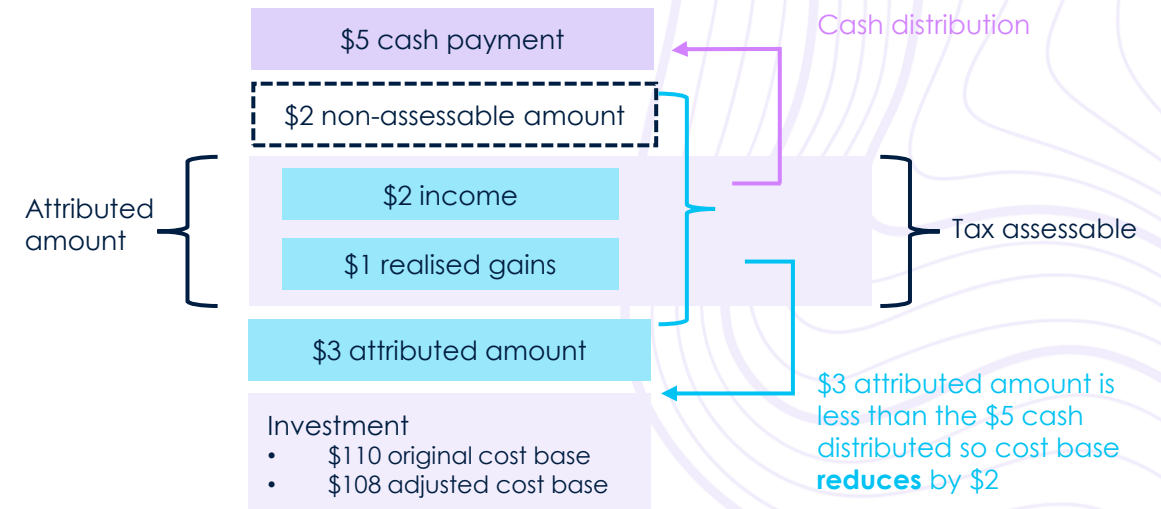
Scenario: Increased cost base for investor

- Cash distributed is **less** than the attributed amount
- The cash distributed reduces the cost base while the attributed amount increases the cost base
- The excess of the amount attributed over the cash distributed increases the cost base.

Key points

1. Cash distribution is less than attribution income (excluding foreign tax and franking credits) = AMIT cost base increase.
2. Cash distribution is greater than attributed income (excluding foreign tax and franking credits) = AMIT cost base decrease.

When assessable and non assessable, non exempt amounts attributed to you are **less** than the cash distributed.



Scenario: Reduced cost base for investor

- Cash distributed is **more** than the attributed amount
- The cash distributed reduces the cost base while the attributed amount increases the cost base
- The excess of the cash distributed over the attributed amount reduces the cost base.

North Tax statements – Cost base increase

Franked dividend	Unfranked dividend	Capital gains discounted	CGT concessional amount	Capital gains other	Other Australian income	Foreign income other	Conduit foreign	None assessable amounts	NANE	Interest income	AMIT cost base adjustment	Franking credits	Foreign income tax offsets
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
12.53	1.09	201.23	0	2.02	448.88	1157.43	1.98	201.23	0	24.68	50.55	6.17	0.04

Section 5 Income (actual cash received)			
Fund name	Date received	Distribution period	Amount
ABC Fund	2 July 2018	1 July 2017 – 30 June 2018	\$2,000.52

Section 5 – Actual cash received is \$2,000.51

Section 4 – Income schedule
Cost base adjustment = \$50.55

Example of how to determine the total attributed income

To calculate the Total attribute income:

Total attributed income = Franked dividend + Unfranked dividend + Grossed up Capital gains discount* + Capital gains other + Other Australian income + Foreign income other + Conduit foreign income + Interest income + NANE

Therefore in this example: $\$12.53 + \$1.09 + \$402.46^* + \$2.02 + \$448.88 + \$1,157.43 + \$1.98 + \$24.68 = \$2,051.07$

$$*\text{Grossed up Capital gains discount} = \left(\frac{\text{Capital gains discounted}}{\text{Discounted CGT rate of 50\%}} \right) \times 100\%$$

Example of how to determine the actual cash received

To reconcile attributed income to actual cash:

Total attributed income – AMIT cost base adjustment = Cash received

Therefore in this example: $\$2,051.07 - \$50.55 = \$2,000.52$

One point to note is tax offsets (franking credits and foreign income tax offsets (FITO) are cost base reducing while the assessable franking credit gross up amount and FITO gross up amount are cost base increasing. The examples don't add and subtract these items which means they are only correct if the gross up is equal to the tax offset. However, under AMIT, for some underlying funds, the gross up may be less than the offset (due to expense allocation).

North Tax statements – Cost base decrease

Franked dividend	Unfranked dividend	Capital gains discounted	CGT concessional amount	Capital gains other	Other Australian income	Foreign income other	Conduit foreign	None assessable amounts	NANE	Interest income	AMIT cost base adjustment	Franking credits	Foreign income tax offsets
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
107.02	41.97	0	0	0	55.98	588.35	0	754.67	0	185.50	-754.67	169.04	203.55

Section 5 Income (actual cash received)			
Fund name	Date received	Distribution period	Amount
XYZ Fund	15 July 2018	1 July 2017 – 30 June 2018	\$1,733.49

Section 5 – Actual cash received is \$1,733.49

Section 4 – Income schedule
Cost base adjustment = -\$754.67

Example of how to determine the total attributed income

To calculate the Total attribute income:

Total attributed income = Franked dividend + Unfranked dividend + Grossed up Capital gains discount* + Capital gains other + Other Australian income + Foreign income other + Conduit foreign income + Interest income + NANE

Therefore in this example: \$107.02 + \$41.97 + \$55.98 + \$588.35 + \$185.50 = **\$978.82**

Example of how to determine the actual cash received

To reconcile attributed income to actual cash:

Total attributed income – AMIT cost base adjustment = Cash received

Therefore in this example: \$978.82 - -\$754.67* = **\$1,733.46**

*Subtracting a negative creates a positive

One point to note is tax offsets (franking credits and foreign income tax offsets (FITO)) are cost base reducing while the assessable franking credit gross up amount and FITO gross up amount are cost base increasing. The examples don't add and subtract these items which means they are only correct if the gross up is equal to the tax offset. However, under AMIT, for some underlying funds, the gross up may be less than the offset (due to expense allocation).

Key points

Attributed Managed Investment Trust (AMIT) funds

- Has introduced a formal system to allow errors in calculating taxable income (referred to as 'unders and overs'). This is rectified by making adjustments in the year they are discovered by the fund manager.

AMIT net cost base calculation:

- The cost base of the units is increased by any assessable income (including amounts of trust capital gains) and non-assessable non-exempt (NANE) income, but excluding non-assessable income you are attributed from the trust.
- The cost base of the units is reduced by any actual payments you receive (or are entitled to receive) and any tax offsets you have for amounts attributed to you.

Attribution income - Cash received = AMIT cost base increase / decrease

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