

23 August 2017

Tax Statement for the financial year ended 30 June 2017

Your Taxation Statement includes an amount referred to as “Special tax-deferred amounts”.

The tax treatment of the special tax-deferred amounts reflected in the distribution is not certain given recent announcements by the ATO and ongoing industry consultation in respect of the law. The ATO is yet to finalise its position on the tax treatment of such amounts, including whether tax cost base adjustments are required for such amounts pursuant to CGT event E4.

In this respect, the ATO has issued interim guidance on its website that can be found at;

www.ato.gov.au/Business/Bus/Interim-guidance-on-preparation-of-2016-and-2017-unit-trust-distribution-statements/.

A special tax-deferred amount under subsection 104-71(4) item 7 arises when a distribution is made by the relevant trust that reflects an amount of discount capital gains made by the trust that are sheltered by capital losses made by the trust. The question arises whether such amounts reduce the CGT cost base of the units on which the distribution is made. The ATO considers in its interim guidance that the part of the direct gains which have been sheltered or offset by capital losses should be categorised as tax deferred distributions that reduce the unit holder’s cost base pursuant to CGT event E4.

Further, the Government has announced that it proposed to amend the law to require investors in unit trusts that are not subject to the AMIT regime to adjust the tax cost base of their units for subsection 104-71(4) item 7 amounts with effect from distributions made in respect of income years commencing on or after 1 July 2017.

Your Taxation Statement shows the subsection 104-71(4) item 7 amount as being a special tax-deferred amount. However, as the relevant rules are complex and currently uncertain, you should seek your own tax advice from your professional tax advisor.

The GARDA Capital Group will provide an update on GARDA’s website once the ATO or Government has finalised its position in respect of this matter.

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