

Wrap Year End – Frequently Asked Questions

We have collated the most commonly asked questions regarding Wrap year end, and provided answers to assist you below.

The questions and answers are broken into four broad categories:

- General reporting questions
- About Investment Wrap Statements
- About Investment Wrap – Stapled Securities
- About SuperWrap

General reporting questions

When are distribution prices updated for 30 June?

It generally takes between 10 and 15 business days to obtain the final distribution prices for 30 June. This may take longer if the Fund Manager experiences delays, if a fund prices less frequently or if the fund is a Wrap Essentials fund. Wrap Essentials funds are mirror funds of an underlying fund and it will generally take an additional 3 to 4 business days to obtain the final distribution price for 30 June.

Please note: this may cause variances within the reports you generate around this period, as the latest available price we have for the managed fund may not be the 30 June price.

At fund distribution time, the market value of a holding is understated due to distributions owing but not yet received. The reason for this is that the holding is valued using the ex-distribution price but distributions are not yet accounted for. It is only when the actual distribution is received from the Fund Manager and is credited to the client's account that the valuation 'corrects' itself.

The value is then shown as an increase in the market value of the holding (if the client has chosen to re-invest distributions) or as an increase in the value of the client's Cash Account (if the client has chosen to have the distributions paid in cash).

The use of effective date pricing enables you and your clients to confirm the relevant valuations. In addition, we will provide a message on the Portfolio Valuation (PV) report that the drop in PV may be due to distributions owing.

Why can it take some time to process distributions?

Once all required information is received, the time it takes for distributions to appear on the DeskTop can be up to four business days. There are two main reasons for having distributions received but not yet processed:

1. Missing information from the Fund Manager

We require the complete distribution statement from the Fund Manager including Wrap's unit balance, Cents Per Unit details, reinvest unit price details, the number of units allocated for reinvestment, and the amount paid in cash. If any of these elements are missing we immediately contact the Fund Manager, but we cannot process the distribution until all of the information required is received.

Please note: Fund Managers generally take longer to process their year-end distributions than they take to process their quarterly distributions.

2. Money not received by Wrap

We cannot process distributions until we have received payment from the Fund Manager. Please go to Products

and Research > Distribution timetable on the DeskTop for the latest updates on which distributions have been run. This is updated regularly.

For more information on distribution processing you can download an explanatory flyer for investors and advisers on the DeskTop.

Can I choose whether to have my clients' statements sent to me?

No, Wrap is required to send all statements directly to the client.

What happens with client eStatements this year?

Customers registered for eStatements will receive an email to their registered email address or a message to their registered mobile number as soon as their eStatements are available online.

They can access their eStatements directly from the Investor DeskTop under Reports & eStatements > eStatements. Advisers can also access copies of their clients' eStatements via the Adviser DeskTop under My Clients > eStatements.

Where can I obtain statement guides for my clients?

They are available via a link held on both the Adviser and Investor DeskTops.

You can access this link at:
www.investorwrap.com.au/wrap/taxguides

Please note: current versions will be available in July.

About Investment Wrap Statements

What year end information does Wrap require for Managed Funds and Listed Trusts and how does this differ to what is provided on the Fund Managers and Registries' websites?

For Managed Fund or Listed Trust investments, Wrap sources the tax components of the distribution paid during the year directly from the Fund Managers and Share Registries. Some of these trusts provide limited information on their websites such as the split between taxable and non-taxable distributions. However, to ensure correct tax treatment has been applied to our Tax Statements, we need additional information. For example, the split up of the non-taxable components is required to correctly apply these in CGT cost base adjustments.

Why are there dividends or trust distributions that have been paid into my client's Wrap Cash Account but are not appearing on my client's Tax Statement?

The Tax Statement will report all income entitlements attributable to the client during the financial year for investment holdings that are held within Wrap. It is

possible that the client may have some investment holdings that are held outside the Wrap platform, but they have nominated their Wrap Cash Account as the account for the income to be paid into. Income received from non-Wrap holdings will not be included in the client's Tax Statement.

Why doesn't Total Distribution Income match the cash that has been deposited in my account?

If an investor is a non-resident for tax purposes, or hasn't provided their Tax File Number ('TFN'), then non-resident withholding tax or TFN withholding tax will be applied. As a result the distribution will not match the cash component received. Alternatively, if a managed fund is a participant of the Attribution Managed Investment Trust ('AMIT') regime, it may issue final distributions with a non-cash component. For further information on this please refer to the Wrap Tax Guides.

Why is there a delay between Wrap receiving tax information and a tax statement being issued?

Final tax component information received from Fund Managers or Share Registries must be reviewed and processed by Wrap. It goes through an internal review process to ensure the correct taxation treatment has been applied. This process can be quite complex and may take a number of weeks.

Tax information relating to all of a client's investment holdings must be received before Wrap can produce the tax statement for that client.

Why will some clients not receive their Tax Statements by 30 September?

The timing of receipt of your clients' statements will depend on the investments they have held in their portfolio during the year. Some investments, such as Listed Trusts, funds that have suspended trading, and Hedge Funds, generally provide requisite tax information later than other investment types. As Wrap cannot process any tax information until data has been received from the product providers, it is not possible for these clients' tax reports to be completed any earlier.

Why are Investment Wrap Statements released in tranches?

Wrap Tax Statements are produced in a series of statement runs referred to as 'tranches'. Each tranche includes statements for clients for whom we have received and processed all tax component information for their investments. The first tranche will be released in mid July and will include statements for those clients whose tax components have been finalised. Further tranches will occur as we progressively receive tax components, until all of your clients have received a Tax Statement.

Why do the quantities on the Trust Distribution Schedule vary from the Portfolio Valuation?

The Trust Distribution schedule (Schedule C of the Tax Statement) reports all the distributions accrued during

the year from both listed and unlisted Trusts. The quantity of units held at the time of the distribution is included in the information for each distribution. This quantity has been calculated by dividing the distribution received/accrued by the cents per unit distribution amount. This results in small rounding variances between the schedule and the Portfolio Valuation quantity.

How do I use the Tax Statement summary?

The Tax Statement summary combines all each income types together (e.g. interest, dividends capital gains, and foreign income), and cross references to the relevant question number in the Tax Guide. The Tax Guide references have been identified in relation to the account types, so the relevant references for a company return are included for companies, and the relevant reference numbers for personal tax returns are included for individuals.

Why don't the opening/closing balance on my client's Quarterly Income and Expense Reports match the opening/closing balances on my client's Annual Income and Expense Reports?

Any difference in the valuation between the reports reflects updated unit prices received from fund managers, or transactions that have settled following the generation of the Quarterly Reports. The opening balance on the first Quarterly Income & Expense Report may vary from the opening balance on the Annual Income and Expense Report. Similarly, the closing balance on the fourth Quarterly Income and Expense Report may vary from the closing balance on the Annual Report.

Why doesn't the Opening balance of my clients Annual Statement this year equal the Closing PV of their Annual Statement last year?

This change can be attributed largely to changes in prices. When the client's Annual Statement was generated for last year, the prices used in the closing PV would have been the best available at that time. However, when this years Annual Statement is generated all prices for the opening PV will have been confirmed by fund managers and have an effective date of 30 June the previous year. As a result, minor discrepancies may arise between the closing balance of the previous year's statement and the opening balance of the current year's statement.

Why has my client been sent an Annual Statement, but not their Tax Statement?

Wrap is legally required to ensure all clients have received their Annual Statement within 3 months from the end of the financial year. Where Wrap is not in a position to issue the related tax statement by the end of September, a client will receive their Annual Statement report pack by this time.

About Investment Wrap Statements – Stapled Securities

What is a Stapled Security?

A Stapled Security is created when two or more securities are contractually bound (bundled) together so that they cannot be sold separately. Each stapled security can then be traded on the stock exchange under the one ASX code.

Although the Stapled Security must be bought or sold as a whole, the underlying individual securities are treated separately for taxation.

For stapled securities that were acquired prior to stapling and disposed of during the current financial year, we have reported the disposal of the stapled security as the disposal of each separate asset making up the stapled security. However, we have reported realised and unrealised stapled securities at the consolidated level in all other circumstances.

How is income received from a Stapled Security reported in the client's Tax Statement?

Income paid from a stapled security can comprise of both dividend and trust distribution components. Dividends will be included in Schedule B and Trust distributions will be included in Schedule C.

If the dividend component of the income from a stapled security is paid after 30 June 2020 but with an ex-date that falls on or before 30 June 2020, then the income payment will be taxable over two income years. This is because the dividend component is taxable on a pay date basis (i.e. the 2021 income year) but the distribution is taxable on an accrual basis (i.e. the 2020 income year) and the payment needs to be separated accordingly in the Wrap Tax Statements.

How does Wrap work out the Cost Base and Reduced Cost Base of the Assets comprising the Stapled Security?

If a stapled security is sold within 12 months of the stapling date, then separate disposals are normally reported on Net Capital Gains – Schedule D. Only the consolidated asset is shown on the unrealised gains and losses report.

If your clients held stapled securities during the financial year, we recommend they obtain independent tax advice in relation to the taxation treatment of the stapled securities and their distributions.

About SuperWrap

Will the net earnings figure on the SuperWrap Annual Statements be provided as a summary figure or will I be able to identify the details for my client's account?

The net earnings figure reflects the earnings your client has made on their investment within the Plan during the financial year. Details included in the earnings figure are:

1. Income receipts (i.e. interest, distributions and dividends) received on investments during the financial year.
2. Unrealised gain/loss figure reflects the change in market value of your clients' investments, which have not yet been realised.
3. Realised gain/loss figure reflects the change in market value of your clients' investments, which have been disposed during the financial year.

Why is the performance calculation (within the Performance Report) different to the net earnings rate calculation in the Annual Statement?

The Performance Report uses an accrual basis methodology while the Annual Statement net earnings rate calculation uses a cash receipt basis for trade and income recognition. The main difference is due to ex-distribution prices being used for managed funds in the Performance Report on the DeskTop whilst cum-distribution prices are used in the Annual Statement (as ex-distribution prices are often not available when these reports are produced).

While both calculations are correct, a slightly different methodology results in slight differences in the final percentage.

How are distributions reported on SuperWrap Annual Statements?

Distributions are reported on a cash basis, not an accrual basis. This means distributions processed on the account prior to 30 June will be included in the statements for that financial year and distributions processed on 1 July or later will appear in next year's statement.

What do long-term returns represent and how does this differ to my client's actual returns?

The long term returns are shown for the investment options the client was invested in at 30 June. The figures represent the returns for the investment option itself, rather than the client's personal return. The reason why the returns shown may be different from the client's personal experience could be due to when they started investing in the option and the timings of transactions in and out of the investment option.

What happens for the final end of year SuperWrap tax calculations?

All SuperWrap clients, in conjunction with the lodgement of the SuperWrap tax return, will have a full tax calculation performed on their account (by end of November). Any adjustments will be made to their individual accounts after considering income received, deductions and offsets available, and the PAYG instalments paid for the investor in the financial year. Any credits due to investors for franking credits will be credited at the time the fund's tax is finalised, generally by end of March in the next financial year.

When does my client need to claim a tax deduction?

If eligible, your client will need to complete and send SuperWrap a Personal Tax Deduction Notice before:

- Your client lodges their income tax return (in respect of the financial year that the contribution was made in), and:
- The end of the financial year which follows the financial year that the contribution was made in.

There are other rules, limitations and reasons why your client may not be able to claim a tax deduction. Details on all limitations that apply and other important information on claiming a tax deduction can be found on the Wrap Year End Microsite under the EOFY Toolkit.

Which clients will receive a PAYG Payment Summary for this financial year?

The following SuperWrap clients **will** receive a PAYG Payment Summary – Superannuation Income Stream:

- Clients who turned 60 during the financial year and received income payments prior to turning 60 will receive a PAYG Payment Summary – Superannuation Income Stream, but it will only include income payments received by the client prior to their 60th birthday.
- Clients who were 59 or less during the whole financial year will receive a PAYG Payment Summary – Superannuation Income Stream, and it will include details of all of the income payments they received over the year.

The following clients **will not** receive a PAYG Payment Summary – Superannuation Income Stream:

- Clients who were aged 60 or over as at 1 July
- Clients who turned 60 during the financial year and did not receive any income payments prior to turning 60
- Clients who received income payments consisting of 100% tax-free components.

This is because all payments from the SuperWrap Pension Plan, Non-Commutable Pension Plan and Term Allocated Pension Plan paid to a client aged 60 or over are tax free. Clients are not required to include these income payments in their tax return.

Will my clients' PAYG Payment Summaries be available to the DeskTop?

Yes, your client's PAYG payment summary – superannuation income stream will be available on the Adviser DeskTop around the 2nd week of July.

You will be able to access it by navigating to My Clients >> eStatement >> PAYG Payment Summary.

Note, your client's TFN has been suppressed from the DeskTop version for privacy reasons.

Can my clients change their pensions in time for the July payment?

We are giving advisers the ability to amend their client's pension payment amount and/or frequency in time for their July payment, via the online tool (Pension Amendment Tool).

Please note:

- If the amount you select is below your client's minimum annual payment limit for the financial year (as calculated in early July), your client will instead receive that minimum payment.
- This pension payment change will be reflected on our systems in July, at which time we will send your client a transaction advice confirming that your request has been actioned.
- If the amendment was submitted via the online Pension Amendment tool before close of business on the closing date (to be advised), your client will receive an Income Payment Schedule with their new payment details.
- If the amendment was submitted via the online Pension Amendment tool after closing date (date to be advised) your client will receive a transaction advice confirming their new payment details.

Are there any limitations on making redemptions from SuperWrap in July?

SuperWrap clients will not be able to receive redemption proceeds from their Pension Plan, Non-Commutable Pension Plan or Term Allocated Pension Plan accounts between 1 July and 4 July due to income calculation processing for the forthcoming year. Once the redemption freeze is lifted there may be delays in processing for a short period of time as we clear backlogs.

The processing of redemptions from SuperWrap Personal Super Plan accounts will proceed as normal during this period.

Why is there a difference between the 'Total Fees You Paid' figure and the sum of the fee transactions shown in the Transaction Details and Costs Summary (within the Annual Statement)?

Only direct costs are listed within the fee transactions on the Transaction Details and Costs Summary. The 'Total Fees You Paid' figure comprises the direct and indirect costs that have been borne by the client.

The 'Total Fees You Paid' includes the:

- **Sum of Fees Shown Above** – which represents the fee transactions indicated in the Transaction Details and Costs Summary.
- **Insurance Premiums** – this will only be shown on the Personal Super Plan products and represents the insurance premiums the client has paid during the reporting period. This represents a cost to the client of holding the product.
- **Indirect Costs of Your Investment** – this figure represents the indirect costs related to the Cash Account Fee which are borne by the client.
- **Other Costs** – the amount that has been deducted from the investments you have chosen and covers amounts that have reduced the return on these investments but are not charged to you directly as a fee or deducted from your account. The cash account fee, transaction costs, borrowing costs, buy/sell spreads and other indirect costs are excluded.

How are the other costs calculated?

Other costs are calculated for each investment option using the management fee for relevant investments. The management fee is the ratio of management costs not deducted directly from clients' account balances against the average net assets of the investment strategy over the period.

The management fee is then applied against the client's average balance in the applicable investment option over the period they were invested during the reporting period. The cumulative value of this calculation, for each investment option the client holds, will be their Indirect Costs for the statement period. In summary the Indirect Costs for each investment option is calculated as specified below:

Management Fee × Average Balance

Can advisers expect source details to be provided for all contributions? Are there any limitations to information provided on the source of contributions?

The requirement to provide the source of contributions on the Annual Statement is only applicable where the fund has received and recorded source information.

Where we have recorded this information it will be provided on the statement. If the source details have not been recorded they will not be shown on the statement.

Our ability to provide this information depends on what is provided to us. For example if we receive a cheque, the only source details we may be able to record from this is the account name from which the cheque was drawn.

For more information

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