USEFUL INFORMATION WHEN RECONCILING

FIRSTWRAP TAX STATEMENTS

You may like to know more about the details that go into our annual tax statements to assist you in discussions with clients. To help, we've created this flyer to provide some useful information around reconciling statements as well as answering some frequently asked questions.

What entity basis are tax statements issued on?

Tax statements are prepared primarily for use by individual tax payers and are issued per investor rather than per account. Therefore if an investor holds more than one account, income and gains will be consolidated within one statement.

Joint accounts are split proportionately across all investors within the joint account and consolidated with other accounts (if any) into the one tax statement for that investor. For example, if a joint account has three investors the income and expense components for the joint account are allocated proportionately across the three investors' tax statements on the basis of an equal 33.33% split. Where a joint account has two investors it will be a 50% split.

Which online reports can be used to reconcile tax statements?

A number of reports available on FirstWrap can be used to reconcile annual tax statements. The recommended reports to use are summarised in the below table:

REPORTS TO USE WHEN RECONCILING TAX STATEMENTS

Report name	Recommended for reconciliation?	Accounting basis
Income statement (especially the Income statement itemised Excel spreadsheet)	✓	Accrual basis
Fee report – detailed	✓	Accrual basis
Transaction summary		Receipt basis
Cash transaction list		Receipt basis
Investment transaction list[1]		Receipt basis

1 Although not recommended for general reconciliation queries, this report needs to be referred to for gains/losses associated with traditional security investments and the value of asset transfer fees (if applicable).

Tip: Use the reports indicated in the table and ensure they were generated after the tax statement was run. This will make sure the data is consistent between the tax statements and platform reports.

Why should I use some reports and not others?

The reason why some reports can be used for reconciliation and not others lies in the accounting basis used in the report.

Accrual accounting basis

Tax statements are produced using an accrual accounting basis. With accrual accounting the following occurs:

- For income distributions by managed funds, listed trusts and unlisted managed investments, the distribution date (also referred to as the tax date) of the transaction is used and not the receipt date (the date the income is received by the platform).
- For adviser service and administration fees, the fee period (the Fee from & Fee to date) is used and not the fee deduction date.

However for dividends and interest, income is shown on a receipt basis.

A small number of online reports use accrual accounting, including the Income statement suite of reports and the Fee report (when the financial year filter is selected). As this is the same accounting basis as the tax statements, these reports are best suited for reconciliation.

Receipt ('cash') accounting basis

The Cash transaction list, the Investment transaction list and the Transaction summary (including the copy issued with the annual IDPS report pack) use receipt accounting and should not be used when reconciling tax statements.

Tip: The Income statement Excel spreadsheet is the only report that displays the distribution date of an income transaction. It also allows the adviser and accountant to sort and filter information as required. Please ensure you select the 'include subtotals' filters when running the report from the platform.

Tip: The Income Reconciliation report does not include any non-cash income that has been included on an attribution basis from Attribution Managed Investment Trusts (AMITs). Accordingly, the 'Total income' shown on Part C of the Annual tax statement may differ from the total shown on the Income Reconciliation report as the reconciliation is only showing income derived on either a cash or accruals basis. Please refer to the Tax guide for further information.

Tip: The Income statement Excel spreadsheet is the only report that displays the AMIT cost base increase/decrease adjustments for each AMIT investment.

Where on the tax statement are deductible fees shown?

Deductible fees are displayed in two locations:

- Part A 'Other deductions relating to distributions' and
- Part C 'Other expenses'

Fees included	Fees excluded
Ongoing advice fees	Any transaction fees
One-off advice fees	Brokerage
Administration fees	Contribution/initial advice fees
Model portfolio fees	

The fees can be reconciled against the Fees report – detailed, using the financial year filter.

Tip: Monthly fees deducted on 1 July in the current financial year relate to June of the previous financial year so are included in the previous year's tax statement.

Where on the tax statement are term deposit, pooled cash and Accelerator Cash Account (ACA) interest shown?

Term deposit, pooled cash and ACA interest are reflected in two locations:

- Part A 'Gross interest' and
- Part C 'Gross interest'

Gross interest reflects the income received from interest bearing securities. It also includes interest paid from term deposits and interest income earned on funds held in the pooled cash account or ACA.

Any questions?

If you would like any further information on FirstWrap, please contact your local Business Development team or FirstWrap on 1300 769 619, 8am to 7pm, Monday to Friday, Melbourne time.

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