

A guide to your tax voucher

This document has been designed to answer your questions about your tax voucher and the information contained within it.

This document is based on our current interpretation of law and HM Revenue & Customs practice. We believe this interpretation is correct but cannot guarantee it. Tax relief and the tax treatment of investments may change. Quilter does not accept any liability for any action taken or not on the basis of information contained in this or any related document. We recommend that this document is used as a general guide only and that any specific tax-related queries are referred to your financial adviser or your local tax office in the first instance.

Why have you been given a tax voucher?

We issue you with a tax voucher following the end of the tax year if you have held a Collective Investment Account (CIA) during any part of the tax year and you have received rebates, dividends or interest distributions from an investment in unit trusts/ open-ended investment companies (OEICs)/exchange traded instruments (ETIs) or interest on cash within your Quilter account. It will also include interest paid on one or more savings accounts in the CashHub where applicable. You may need to report this income to HM Revenue & Customs (HMRC) including details of reinvested income arising from accumulation units (see **Income and accumulation distributions explained**). This is because there may be an additional income tax liability, depending on your circumstances. The tax voucher and accompanying schedules you have received gives you details of all rebates, dividends, interest distributions and interest earned on cash arising within your account(s) and any tax deducted at source on this income during the preceding tax year. All this information must be included in your self-assessment return.

Further information on completing your tax return can be found on HMRC's website at www.hmrc.gov.uk/sa. HMRC also publishes a tax return guide, form SA150, which may be of assistance. HMRC forms can be found at www.hmrc.gov.uk/selfassessmentforms.

What is Capital Gains Tax?

Capital Gains Tax (CGT) is a tax on any profit or gain you make when you dispose of or sell an asset. Account transactions which may result in a CGT liability are fund switches or the sale of units (including units sold to pay charges). Your tax voucher and periodic statement provide the information to help you calculate whether you have made a capital gain on your investments with Quilter. You should refer to your financial adviser to establish what you need to report to HMRC.

Income and accumulation distributions explained

Depending on the underlying investments, income arising from your assets will be in the form of either dividend distributions or interest distributions. Rebates earned during the tax year are not shown in the summary but a schedule has been provided. There is a separate summary section for each type of income. In addition to the type of income, when you invest into a unit trust or OEIC, you will purchase either 'income' or 'accumulation' units.

Income units (including distributions from ETIs) pay out the income arising on the underlying investments as cash, which you can either take or reinvest in the asset to purchase additional units.

If your tax voucher includes details of distributions arising from income units:

- for income tax purposes, you need to report this as income on your tax return
- for CGT purposes, when calculating any gains or losses if you instructed us to:
 - pay the income to you, there is no impact
 - reinvest the income, then you need to add the 'total payment' to the cost of your units
 - you will see this income within the cash section of your statements. The amount received will be the total of the dividend/ interest distribution received plus any equalisation where applicable.

If your tax voucher shows that you have received equalisation, you need to refer to the '**Equalisation explained**' section.

Accumulation units retain income within the fund and the value of this income is reflected in an increase in the unit price.

If your tax voucher includes details of distributions arising from accumulation units:

- for income tax purposes, you need to report this as income on your tax return, even though you have not received a cash payment
- for CGT purposes, when calculating any gains or losses the 'total payment' should be added to the cost of your units.
- you will not see this income within the cash section of your statements

If your tax voucher shows that you have received equalisation, you need to refer to the '**Equalisation explained**' section.

Tax relating to distributions explained

Dividend distributions from UK domiciled assets are paid gross. This means that no tax has been deducted from the payment. If your total dividend income for the tax year (for this and any other investments you have) falls within the dividend allowance (£1,000 in 2023/24) you will have no tax to pay, but where it exceeds the dividend allowance, a tax liability may arise on the excess depending on your personal circumstances.

Interest distributions from UK domiciled assets are paid gross. This means that no tax has been deducted from the payment. Depending on your personal circumstances, you may need to pay 20% (basic rate), 40% (higher rate) or 45% (additional rate) tax. However, interest distributions are taxed as savings income and you may be eligible for the Personal Savings Allowance or the 0% starting rate tax band for savings.

Your financial adviser will be able to discuss the taxation of income and the allowances available to you in further detail.

Non-UK domiciled (offshore) assets

For UK resident investors, the taxation of income and gains arising from non-UK domiciled assets may differ from that described in the previous sections. The tax liability will depend on the reporting status and whether income is treated as dividends or interest. Your financial adviser will be able to explain how these differences impact you depending on the characteristics of the fund and your individual circumstances.

Offshore reporting assets

Where you have invested in an asset with reporting status, you will receive a separate summary line and breakdown that will identify any distributions that you have received in your account so that you may declare them on your tax return.

However, there may be an element of 'undistributed' income that has been retained in the asset. HMRC tax rules require you to declare this on your tax return, but the asset manager is not required to send details of such retained income to your adviser, to us as your 'nominee', or directly to you.

If you have this type of income we will send you the details separately once we have sourced the additional data.

HMRC provides additional helpsheets, forms and notes regarding foreign income here:

www.gov.uk/government/collections/self-assessment-helpsheets-foreign

Rebates explained

Fund and commission rebates are both deemed 'annual payments' for taxation purposes and are subject to income tax. They should be entered in the 'other income' section of your tax return. We will deduct 20% basic-rate tax and pass this on to HMRC. This will satisfy a basic-rate taxpayer's income tax liability in full, and higher-rate or additional-rate taxpayers may have an additional tax liability. Non-taxpayers may be able to reclaim the tax deducted.

Equalisation explained

Within a unit trust or OEIC, income is received from the fund's underlying investments over a period of time. It accumulates within the fund until it is paid out to investors on the distribution date either as dividends or interest – see '**Income and accumulation distributions explained**'.

Units that are purchased part way through a distribution period are entitled only to the income that has accumulated from the date of purchase.

However, the same amount is paid, per unit, to all investors who held units on the ex-dividend (or 'XD') date, regardless of the length of time they have held their units before the distribution date. In this situation, the payment is composed of two elements:

- The income that has accumulated during the distribution period before the units were purchased, which is known as equalisation.
- The balance of the payment, which is income that has built up after the date of purchase.

The equalisation payment is not considered to be part of the income distribution. Effectively, it is a return of part of the investor's capital and therefore:

- for income tax purposes, you should disregard it
- for CGT purposes, when calculating any gains or losses it should be deducted from the cost of your units.

It is important to remember that equalisation is included only in the first distribution received following the purchase of units. All subsequent distributions for those units will potentially be taxable in their entirety.

Note for corporate investors only – dividend distributions

Corporate investors may be liable to UK corporation tax on some or all of the dividend distribution received. Where the gross income from which the dividend distribution is made is not wholly exempt, part of the distribution is received as an annual payment from which income tax at the lower rate has been deducted. For the relevant percentages of the distributions, please see the notes in the Fund Managers' Reports and Accounts. Your financial adviser or Company Accountant will be able to assist you.

Your investment may fall or rise in value and you may not get back what you put in.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practice as at May 2024.

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Please be aware that calls and electronic communications may be recorded for monitoring, regulatory and training purposes and records are available for at least five years.

Quilter is the trading name of Quilter Investment Platform Limited which provides an Individual Savings Account (ISA), Junior ISA (JISA) and Collective Investment Account (CIA) and Quilter Life & Pensions Limited which provides a Collective Retirement Account (CRA) and Collective Investment Bond (CIB).

Quilter Investment Platform Limited and Quilter Life & Pensions Limited are registered in England and Wales under numbers 1680071 and 4163431 respectively.

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