
HUB24 Private Invest

Tax Guide for HUB24 Private Invest

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1. Taxation

The Australian taxation system is complex, and different investors face different circumstances. We do not give tax advice and we recommend that all investors seek professional taxation advice appropriate to regarding each specific investment you hold or propose to hold relevant to your own circumstances.

The following information assumes:

- you're an Australian resident for taxation purposes you hold the investments on capital account (i.e. you're an investor rather than a trader). Accordingly, you may qualify (depending on the type of taxpayer you are) for a CGT discount on gains made on the disposals of assets held for more than 12 months.
- you're not subject to the Taxation of Financial Arrangements ('TOFA') regime you have not made an election out of the 12-month rule in relation to short-term foreign exchange transactions.

In addition, the tax treatment described in this section doesn't apply if you hold the assets on revenue account, as trading stock or as part of a profit-making undertaking or scheme.

Approved non-resident investors for taxation purposes investing in the Service must carefully consider Australian withholding and other taxes, duties and charges.

The tax comments which follow are also made on the basis that you will:

- have an absolute entitlement as the ultimate beneficial owner to the assets in your account; and
- be made presently entitled to all the distributable income attributable to the assets in your account.

This means all income, gains and losses from assets held in your account will effectively be treated as if you made those the income, gains or losses directly.

We will provide you with the relevant information in your annual tax package to help your tax adviser determine your tax liability and complete your tax return.

You should be aware that all comments in the Guide about tax and on your annual tax package are based on our understanding of taxation law at the date of preparing the Guide or tax package. You should be aware that laws and interpretations of those laws may change at any time.

Tax rules in other countries may be significantly different from those in Australia. If you are investing in a foreign jurisdiction, we commend you consult your tax adviser about the impact this may have on your personal situation.

1.1 Capital Gains Tax ('CGT')

Disposal of investments in your Account may arise from your decision to make a withdrawal or switch from an investment option or from investment decisions made by a manager making changes to their portfolio or fund. A disposal may result in you making a gain or loss on your investment.

The gain or loss will be taxed according to whether the investor held the investments and made the disposal on 'capital account' or on 'revenue account'. Disposals on capital account are taxed under the CGT rules.

Disposals on revenue account are taxed as ordinary income. Whether disposals are taxed on capital or revenue account will depend on the investor's specific circumstances. Investors are advised to seek independent professional tax advice to determine whether the investor will be taxed on capital account or revenue account. As noted above, we assume that all investments are held on capital account and taxed under the CGT rules.

Capital gains are taxable to you as assessable income, subject to the application of concessions and exemptions. Capital losses you make may be offset against capital gains made in the same year. If no capital gains are made in that year, the losses may be carried forward to be offset against capital gains made in future years.

We prepare tax reports assuming you offset these capital losses against any gains within your account in the Service, but we do not take into consideration any prior year carry-forward capital losses or any gains outside the Service.

A discount may apply for capital gains made on asset realisation where the assets were held for at least 12 months prior to being sold. The discount depends primarily on the nature of the legal entity that owns the investment as follows. Please note that rates are based on current legislation and may be subject to change:

- individuals – half or 50% companies – 0%
- self-managed super funds (SMSF) – one-third or 33.33%
- trusts – half or 50% (other than a complying superannuation entity or other qualifying trusts).

If you acquired an asset before 21 September 1999 and transferred it into the Scheme, then the indexation method may apply. Under this method, the cost base of your asset is increased by an indexation factor worked out using the Consumer Price Index ('CPI').

1. Taxation (continued)

However, if you acquired an asset before 20 September 1985, gains or losses realised on the disposal of such assets may be disregarded for CGT calculations.

We allow for these complexities in the capital gains summary report, which forms part of the annual tax statement. We do, however, make a number of assumptions and simplifications when performing calculations to estimate your capital gains:

- When scrip-for-scrip rollover relief is available to investors in the case of a corporate event, we assume investors entitled to it opt for this relief
- Investors hold their investments on capital account
- Stapled securities are considered as a whole and cost bases and reduced cost bases for holdings in these securities are not decomposed into the corresponding amounts for the individual securities that make up the stapled product.

1.2 CGT Parcel Allocation

Each investment/asset may comprise a number of parcels of units. Each parcel will have a different date of purchase and cost base.

When an investment/asset is partially sold (for example, some but not all shares are sold) you can choose which parcel to allocate the sales against (according to where they are held in i.e. your Scheme account or your Non-Custody Service account). This choice is made by way of the CGT parcel allocation referred to in Section 1 of the HUB24 Private Invest Guide. You must specify the choice for your Account so that calculations can be made on your Account. Generally, there should be no reason to change this method if your circumstances have not altered.

The method is specified on your Application Form and defaults to the minimise gains method if no selection is made. This method works to minimise the realised gains position of your investments.

Other allowable methods are maximise realised gains, and first in first out'. The maximise gains method works to maximise the realised gain position of your portfolio. The first in first out method applies sales initially to the oldest remaining parcels. Each of these methods may have differing CGT implications, depending on your individual circumstances, and you should seek specific advice in this regard.

1.3 Tax on Income

Income (including dividends and trust distributions) received by you through the Service is generally assessable for tax purposes. Franking credits may be allocated to you in relation to this income.

Special treatment applies to Australian franking credits from New Zealand companies.

Foreign income may be subject to foreign taxes. You may be entitled to a tax credit in respect of this tax. You should consult your adviser in relation to any tax credit or rebate you may be entitled to.

1.4 Withholding Tax

We may only accept your application with a valid Tax File Number ('TFN') (or ABN for a corporate entity). It's not a legal requirement to provide your TFN or ABN in relation to your account. However, for investments held through the Scheme, we may be required to deduct tax at the highest marginal tax rate plus Medicare levy from all income, including interest where you do not quote an ABN or TFN, or where you don't claim an appropriate exemption from quoting an ABN or TFN.

For assets held in the Non-Custodial Service the Administrator will need to disclose the TFN or ABN (whichever is applicable) to the registry, product issuer and/or fund manager. However, if it is not provided to us, then the registry, product issuer and/or fund manager may be required to deduct tax at the highest marginal tax rate plus Medicare levy from all income, including interest, where you do not quote an ABN or TFN, or where you don't claim an appropriate exemption from quoting an ABN or TFN.

Some countries impose specific obligations on taxpayers and any intermediaries, including by imposing a withholding tax. If this applies, tax may be withheld on income from foreign sources and is calculated as a rate of withholding tax applied to that foreign income.

The rate of withholding tax depends on the source of income and the existence (or otherwise) of a tax treaty between Australia and the country in which the income is derived.

1. Taxation (continued)

1.5 Non-Resident Investors

If you are a non-resident for tax purposes, then interest and income distributions that are paid to you from an Australian source may be subject to withholding tax. You will also be subject to the tax laws in that country.

The Scheme has specific restrictions regarding the investment options that are available to US residents who reside in the US. Specifically, if you are a US resident, residing in the US, you are unable to invest in US listed securities and managed portfolios.

Additionally, non-resident investors may also be precluded from participating in certain corporate actions related to listed securities, including corporate actions in relation to securities held within a managed portfolio via the Scheme.

If you change from being a non-resident for tax purposes to becoming an Australian resident for tax purposes or vice versa you must notify the Administrator as soon as possible due to the applicable tax consequences that apply. If you become a US resident and reside in the US, you may no longer be able to continue to hold or invest in US listed securities and managed portfolios via the Scheme.

Tax rules in other countries may be significantly different from those in Australia. If you are investing in a foreign jurisdiction, we recommend you seek professional advice about the impact this may have on your personal situation.

1.6 Exchange Rate Gains/Losses

Exchange rates used for the purpose of converting trades, income receipts and other transactions will be advised to us by either:

- our sub-custodians and/or brokers
- the relevant registry
- product issuer and/or fund manager (as applicable)

Transactions will be reported in the equivalent Australian dollar amounts using these rates. The taxation treatment of any foreign exchange gains or losses that may arise as a result of this conversion will generally be folded into the taxation treatment of the transactions themselves. That is, for example, if a transaction gives rise to a capital gain assessable under the capital gains tax rules, any part of the gain that may be attributable to foreign exchange movements will be assessed as a capital gain and will not need to be reported separately. Similarly, foreign exchange gains or losses which result from conversion of ordinary income will be part of the ordinary income (if gains) or offset against it (if losses). When there are exceptions to these rules that may apply due to particular circumstances, we will inform you.

1.7 Fee Deductibility

Most fees charged to your Account are deductible for tax purposes – the annual tax package assumes this.

Brokerage costs (and stamp duty, if applicable) are added to the cost base of the investments held in your Account so that they form part of the capital cost of the investment. These costs are therefore taken into account in the calculation of capital gains/losses, rather than as separate deductible expenses.

You should check your individual circumstances with your tax adviser.

Please note that reduced input tax credits do not apply to the fees and expenses charged in relation to your Non-Custodial Service account.

1.8 GST and Other Government Charges

Goods and services tax ('GST') is payable for most fees and expenses charged to you. Unless otherwise stated, all references to fees or expenses in this Guide and the Investment Booklet for the Scheme, are expressed as inclusive of GST and net of any reduced input tax credits ('RITCs') where applicable.

Please note that reduced input tax credits do not apply to the fees and expenses charged in relation to your Non-Custodial Service account.

In the event of any change in tax laws or their interpretation which affects the rate of GST payable or RITCs that the Administrator may receive, the amounts deducted from your Scheme cash account in respect of the fees or expenses applied to your Account may be varied or adjusted to reflect such changes without your consent or further notice to you.

Where other government charges such as stamp duty apply, we will charge these directly to your Scheme account.

1.9 Longevity Products Tax Information

Where you have invested into a longevity product via the Scheme, we will receive tax information from the issuer on your behalf. The issuer will provide any deductible or assessable amounts to us. This information will be included into your annual tax statement. Where payments or withdrawals are taken from the product, PAYG amounts may be withheld by the issuer to meet their obligations to the ATO. Any amounts withheld and any other components relevant to the withdrawal including deductible amounts will be included in the information provided to us for inclusion into your consolidated annual tax statement. For information related to your chosen longevity product please refer to the product's disclosure document.

1. Taxation (continued)

1.10 Estimated Tax Data

The annual tax package will be provided as soon as possible at the end of the tax year when all data is available. Any tax reports provided to you via continuous reporting will include only estimated data.

Similarly, any tax estimates shown on reports are based on this estimated data, the CGT parcel allocation method and the marginal tax rate chosen for you and are based solely on assets held within the Service.

You will receive an annual tax package containing all income and capital gains information relating to your Account, simplifying the process of completing your annual tax return.

1.11 Annual Tax Package

Unless you specifically inform us otherwise, your annual tax package, is prepared on the basis that you are investing as an Australian tax resident (in accordance with your account in the Service):

- associations
- companies
- trustees of trusts
- trustee of a self-managed super funds.

The annual tax package is prepared on the assumption that investors have acquired and hold the investments in the Service as capital assets for long term capital gain, rather than as a trader in any of the investments in the Service account.

You should obtain professional advice about how tax applies to your circumstances before making an investment decision.





Want to learn more?

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