

Managed funds

Year-end taxation and reporting – 30 June 2020



Compliance in focus

As 30 June approaches, it is critical for responsible entities, trustees and fund managers to turn immediate attention to taxation, investor reporting and other fund compliance obligations, particularly given the ongoing impact of COVID-19.

In addition, and in light of the ATO's recent announcement regarding the likely commencement of MIT and AMIT compliance reviews, we strongly recommend that responsible entities, trustees and fund managers ensure that they review the MIT and AMIT status of their funds immediately. Please get in touch with your Pitcher Partners contact for a discussion in relation to your fund as soon as possible.

Below are several key items managed funds should consider as part of this process.



Considering COVID-19 issues before 30 June

It is critical that you consider and communicate any special events occurring due to COVID-19 with your tax advisor.

For example, whether you are looking to freeze distributions, whether loan repayments or interest income have been put on hold, whether rental income has been put on hold for tenancies, whether you have bad or doubtful debts, or whether you provision for impairments of value. Some of these items may not give rise to reductions in taxable income but may result in a loss for accounting purposes.

If not managed correctly, this could give rise to the trustee paying tax (e.g. if no amounts are distributed to members by 30 June 2020) or could result in significant taxable income for your members with little cash distributions. This is a critical issue that you need to ensure you have considered during your planning to 30 June 2020 and whether it is possible for you to mitigate some of these issues.

Setting your timetable for distribution reviews

We recommend that you get in touch with your tax advisor, fund administrators and custodians (if applicable) to determine the date by which distribution statements will be provided to your investors (note that AMITs are required to provide investor statements by 30 September 2020). To the extent that the distribution components require tax sign-off, agree upon a timetable with your tax advisors to ensure the tax statements can be reviewed and completed on a timely basis.

If you are an existing fund client, we will be in contact shortly to confirm your distribution review and annual tax compliance timetable as part of our annual client service agreement process.

Distributions

If you are proposing to make a final distribution for the income year, we suggest that as part of this process, that you review the trust deed to consider, amongst other things, the "income of the trust estate" and "net income" for tax purposes. If these items are not appropriately managed, there is a risk that the trustee may be subject to tax at the top marginal rate. It is prudent for trustees to document and minute their resolutions.

We strongly recommend that if you are proposing to make a final distribution for the income year, to get in contact with your Pitcher Partners contact for a discussion.

Significant transactions

Consider the impact of any material or once off transactions (i.e. property or other asset disposals) during the year and if necessary, seek advice to the accounting and taxation treatment for the transaction.

This might eliminate any material proposed adjusting entries to the financial statements or forecasted tax position at 30 June 2020.

Complying with the Attribution MIT ('AMIT') provisions

If it is the first year that you are applying the AMIT regime to your fund, you should ensure that you have satisfied the technical requirements to be an AMIT and that your systems and processes are sufficient to deal with the distribution process including reconciliations that are required in order to avoid the trustee being taxed / penalised on certain unreconciled amounts.

MIT compliance

If you operate a MIT, consider your fund's ability to satisfy the MIT requirements for the current year. This condition is essential in order to access the MIT concessional withholding rates, the ability to maintain a valid capital account election where relevant, and the ability to maintain an AMIT election. We understand the ATO will be focusing on this issue for 2020.

Satisfying the public trading trust provisions

A unit trust that is a public unit trust can be taxed as a company where it carries on 'trading' activities. Even where a unit trust is not a public unit trust, the carrying on of trading activities may result in it ceasing to be a MIT, which may result in the capital account election, or the AMIT status of a fund ceasing to apply.

We suggest you review your income derived in the current year to determine whether a breach of the provisions may occur and what preventative measures (if any) you should be considering.

Accounting software and reconciliations

Review the accounting ledgers and underlying disclosures and balances to ensure that they agree back to all supporting working papers and third-party confirmation. This might eliminate any material proposed adjusting entries to the financial statements or forecasted tax position at 30 June 2020.

Other reporting obligations

You should ensure that you are complying with the correct version of any annual investment income report to be submitted to the ATO. Common Reporting Standard and Foreign Account Tax Compliance Act documents must also be provided to the ATO by 31 July 2019. If you have not completed your due diligence procedures, you need to ensure these are completed in time for reporting.

Key upcoming tax compliance dates

Report / activity	Due date
Fund tax planning	Pre-30 June
Distribution review	Please contact us
Investor statements (non-AMIT)	Post-30 June
AMIT investor statements	By 30 September
TFN report <i>June 2020 quarter</i>	28 July
BAS <i>June 2020 quarter</i>	28 July (25 August with concession)
BAS <i>July 2020</i>	21 August
CRS / FATCA	31 July
AIIR	31 October

For a discussion on how Pitcher Partners can assist your fund in relation to the year-end distribution process and other accounting and tax reporting obligations, please contact Chris Spanos (03 8610 5366) or Brenton Chan (03 8612 9570).

Making business *personal*

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