Guide to your Annual Taxation Statement

Please Note
This guide aims to assist individual taxpayers in completing their tax return for the 2011/12 income tax year. It contains basic information about the treatment of your income distributions as shown in your annual tax statement.

Importantly, the guide is not a substitute for a tax advice. It has been prepared based on a set of assumptions, any or all of which may not be applicable to you.

If you are in any doubt about your personal tax position we recommend that you seek professional tax advice.
Assumptions
In preparing this guide, we have assumed that:
- you are an individual taxpayer;
- you are an Australian resident for income tax purposes;
- you use this guide in conjunction with the 2012 Individual Tax Return instructions to complete your tax return; and
- you hold your units for the purposes of investment and that the Australian capital gains tax rules apply to you.

Completing your tax return
The following information relates to your investment in the Vanguard® Investor Index Funds. If you had income from any other investments during the year, you will need to combine the information from your other investments with the information provided by Vanguard when completing your tax return. Tax return references refer to the 2012 Individual Tax Return (supplementary section).

FAQ’s
What if I sold units during the year?
If you disposed of any units during the year, you will receive a capital gains tax statement along with a separate capital gains tax statement guide to assist you in completing your tax return.

What other information can help me with my tax return?
The Australian Taxation Office (ATO) has a helpline for personal tax enquiries, which is 13 28 61. In addition, the ATO has a number of publications which will help you understand your obligations and in completing your return:
- 2012 Individual tax return instructions;
- You and your shares 2012 (NAT 2632-6.2012);
- Guide to foreign income tax offset rules 2011-12 (NAT 72923.2012); and
- Personal investors guide to capital gains tax 2012 (NAT 4152-6.2012).

These publications are available for download from the Vanguard website at vanguard.com.au/faq_taxstatement, from the ATO website at www.ato.gov.au or by telephoning the ATO on 1300 720 092.

What is a distribution?
A distribution from a managed fund represents your share of the income earned by a fund. Each fund may earn different types of income, for example dividends, interest and capital gains. Additionally, the income may be Australian sourced or foreign sourced.

The funds are structured as a unit trust which means the type of income earned by the trust generally retains its character when paid to you as a distribution. The components required to complete your tax return are shown in Part A of your annual taxation statement. The components of the distributions you received are detailed in Part B of your annual taxation statement.

What are tax-deferred amounts?
Your distributions may include a tax deferred component. Any such component is detailed in Part B of your annual taxation statement, under “other non-assessable amounts”. The tax deferred component generally arises from capital allowances and depreciation amounts received by a fund from listed property trusts. The tax deferred component is not included in your tax return for the year. However, the amount received reduces the cost base of your units in the fund, meaning that the amount is assessed as part of the capital gain, or reduces the capital loss when you eventually sell your units.
Why are the discount capital gains and Capital Gains Tax concession amount not equal?
The funds are eligible for the 50 per cent CGT concession on shares held for at least 12 months. It could therefore be expected that the amount of discount capital gains and the CGT concession amount would be equal. However, from time to time, the funds receive distributions from listed property trusts where the amount of discount capital gains and the CGT concession amount are not equal. As the components received by the fund retain their character when they are distributed to you (see “What is a distribution” above), this can result in the discount capital gains and CGT concession amounts being unequal.

Why is my management fee rebate assessable?
When a fund calculates the amount of income distribution, it takes into account a tax deduction for management costs charged to the fund at the rate which is detailed in the Product Disclosure Statement (PDS) – this is reflected as a lower taxable distribution payment. When you receive a management fee rebate, the rebate is assessed to tax in order to offset the larger deduction claimed by the fund. The effect of these transactions is that the net tax deduction (the deduction in the fund less your assessable rebate) is equal to the net management fee charged to you.

Can I use e-tax?
The ATO allows you to prepare and lodge your tax return online using e-tax which is available for download from the ATO website, www.ato.gov.au

The information provided in Part A of your annual taxation statement can be used to complete the worksheet in the section titled “Managed Funds” which is located in the “Income” section of e-tax. You should carefully read the instructions applying to the “Managed Funds” section, as there are circumstances when this section should not be used.

What if I’m not an individual taxpayer?
The information provided in this guide assumes you are an Australian resident individual taxpayer. If your investments in Vanguard funds are made through a trust, company or superannuation fund, you may need assistance from your accountant or tax adviser in the completion of your tax return.
Australian Income

The Australian sourced income shown in Part A of your annual taxation statement relates to the tax return form as follows: non-primary production income at label 13U, other deductions relating to distributions at label 13Y, franked distributions at label 13C, franking credits at label 13Q, credit for TFN amounts withheld at label 13R and credit for tax paid by trustee at label 13S.

There are circumstances in which your ability to claim a franking credit may be reduced. For further details please refer to the ATO publication “You and your shares 2012” (NAT 2632-6.2012).

Australian Income (example 1)

Part A – Summary of 2012 Individual Tax Return (supplementary section) items

The following tax return items are valid for Australian Resident Individual Unitholders only.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Tax Return Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-primary production income</td>
<td>$9,782,165.31 13U</td>
</tr>
<tr>
<td>Other deductions relating to distributions</td>
<td>$0.00 13Y</td>
</tr>
<tr>
<td>Franked distributions</td>
<td>$2,571,555.11 13C</td>
</tr>
<tr>
<td>Franking credits</td>
<td>$1,200,596.47 13Q</td>
</tr>
<tr>
<td>Credit for TFN amounts withheld</td>
<td>$0.00 13R</td>
</tr>
<tr>
<td>Credits for tax paid by trustee</td>
<td>$0.00 13S</td>
</tr>
</tbody>
</table>

13 Partnerships and trusts

Primary production

Distribution from partnerships

Distribution from trusts

Landcare operations and deduction for decline in value of water facility

Other deductions relating to distribution

Non-primary production

Distribution from partnerships

Distribution from trusts less net capital gains and foreign income

Franked distributions from trusts

Landcare operations expenses

Other deductions relating to distribution

Note: If you have a net loss from a partnership business activity, complete items P3 and P9 in the Business and professional items section of this tax return in addition to item 13.

Share of credits from income and tax offsets

Share of credit for tax withheld where Australian business number not quoted

Share of franking credit from franked dividends

Share of credit for tax file number amounts withheld from interest, dividends and unit trust distributions

Credit for TFN amounts withheld from payments from closely held trusts

Share of credit for tax paid by trustee

Share of credit for amounts withheld from foreign resident withholding

Share of National rental affordability scheme tax offset

Connect with Vanguard™ > vanguard.com.au/taxation > 1300 655 101
Foreign Income
The foreign sourced income shown in Part A of your annual taxation statement relates to the tax return form as follows: assessable foreign source income at label 20E, Australian franking credits from a New Zealand company at label 20F, other net foreign source income at label 20M, foreign income tax offsets at label 20O.

There are circumstances in which your ability to claim a foreign income tax offset may be reduced.

For further details please refer to the ATO publication “Guide to foreign income tax offset rules 2011-12” (NAT 72923.2012).

Foreign Income (example 2)
Part A – Summary of 2012 Individual Tax Return (supplementary section) items
The following tax return items are valid for Australian Tax Resident Individual Unitholders only.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Tax Return Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessable foreign source income  $220,981.31</td>
<td>20E</td>
</tr>
<tr>
<td>Australian franking credits from a New Zealand company $0.00</td>
<td>20F</td>
</tr>
<tr>
<td>Other net foreign source income  $220,981.31</td>
<td>20M</td>
</tr>
<tr>
<td>Foreign income tax offsets  $31,615.00</td>
<td>20O</td>
</tr>
</tbody>
</table>

20 Foreign source income and foreign assets or property
Assessable foreign source income = E
Other net foreign employment income = T
Net foreign pension or annuity income WITHOUT an undeducted purchase price = L
Net foreign pension or annuity income WITH an undeducted purchase price = D
Net foreign rent = R
Other net foreign source income = M
Australian franking credits from a New Zealand company = F

Also include at F Australian franking credits from a New Zealand company that you have received indirectly through a partnership or trust distribution.

Net foreign employment income – payment summary = U
Exempt foreign employment income = N
Foreign income tax offset = O

During the year did you own, or have an interest in, assets located outside Australia which had a total value of AUD$50,000 or more? Print Y for yes or N for no.
Capital Gains
The capital gains shown in Part A of your annual taxation statement relate to the tax return form as follows: total current year capital gains at label 18H and net capital gain at label 18A.

Did you dispose of any units during the year?
If you disposed of units during the year, you will have received a capital gains tax statement along with a separate capital gains tax statement guide to assist you in completing Question 18 of your tax return. You will need to combine the capital gains information from your capital gains tax statement with the capital gains information from your annual taxation statement in completing Question 18 of your tax return.

Capital Gains (example 3)
Part A – Summary of 2012 Individual Tax Return (supplementary section) items
The following tax return items are valid for Australian Tax Resident Individual Unitholders only.

<table>
<thead>
<tr>
<th>Amount</th>
<th>Tax Return Label</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total current year capital gains</td>
<td>18H</td>
</tr>
<tr>
<td>Net capital gain</td>
<td>18A</td>
</tr>
</tbody>
</table>

18 Capital gains
Did you have a capital gains tax event during the year?

Did this CGT event relate to a forestry managed investment scheme interest that you held other than as an initial participant?

You must print Y at G if you received a distribution of a capital gain from a trust.

Total current year capital gains
Net capital gains carried forward to later income years

Contacting Vanguard
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Contacting the ATO
Internet: www.ato.gov.au
Telephone: ATO 13 28 61 or ATO publications 1300 720 092

Connect with Vanguard™
The indexing specialist > vanguard.com.au/taxation > 1300 655 101

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