

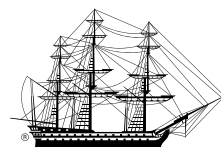
Guide to your Capital Gains Tax Statement

Please Note

This guide aims to assist individual taxpayers who disposed of any units in the Vanguard® Investor Index Funds during the 2010/11 income tax year. It contains basic information about the treatment of your capital gains as shown in your annual tax statement and capital gains tax statement.

This guide should be read in conjunction with the annual tax statement guide and the publication "Guide to Capital Gains Tax 2010/11" (NAT4151-6.2011) provided by the Australian Taxation Office.

Importantly, the guide is not a substitute for detailed 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.



Vanguard INVESTMENTS®



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 2011 TaxPack and 2011 TaxPack Supplement to complete your tax return;
- you hold your units for the purposes of investment, and that the Australian CGT rules apply to you;
- you use the first-in-first-out (FIFO) method when calculating your capital gains on disposal of your units.

FAQ's

What is capital gains tax?

Capital gains tax (CGT) applies to certain types of assets (generally including shares or units) that you buy and sell. It affects your income tax liability because your assessable income for tax includes your net capital gain for the income year.

What is the FIFO method?

The FIFO method is a way of matching units you have disposed of with units you have purchased. It assumes that the first units you purchased are the first to be disposed. You are not obliged to use the FIFO method when calculating capital gains. However, the CGT statement is based on this method, and if you choose not to use FIFO you will not be able to use the calculations provided by Vanguard in the CGT statement for this or any future year. If you choose to use a method other than FIFO, you will need to maintain your own records relating to the cost base of your units.

When do I have a disposal for tax purposes?

The CGT statement assumes that each redemption, switch or transfer of units is a CGT event. If you determine that CGT does not apply to a particular transaction, you will not be able to use the calculations provided by Vanguard in the CGT statement for this or any future year. If this is the case, you will need to maintain your own records relating to the cost base of your units.

What are the different types of capital gains on my statement?

Short gains: capital gains realised on units held for less than twelve months.

FICB gains: capital gains on units purchased prior to 21 September 1999, adjusted for increases in the Consumer Price Index (CPI) up to 30 September 1999.

Discount gains: net capital gains on units held for 12 months or more after applying the 50 per cent discount for individuals.

CGT concession amount: the non-assessable component of Discounted Gains, being 50 per cent of the net capital gain on units held for 12 months or more.

Why are there no totals for certain types of gains?

There are circumstances where you have a choice of CGT methods. Where a gain is eligible for treatment as an **FICB gain** and also qualifies for treatment as a **discount gain**, you may choose the method which gives you a better outcome. You can make this choice for each parcel of units you have redeemed.

For this reason, it is only possible to calculate the total for **FICB gains** and **discount gains** once you have determined your choice for each parcel of units. You will need to calculate totals for **FICB gains** and **discount gains** manually, based on the method you select for each parcel.

Why are there multiple versions of my CGT statement?

As a courtesy to investors, Vanguard provides CGT calculations for four types of taxpayer – individuals, trusts, superannuation funds and companies. This is because the calculation rules for each type of taxpayer are different. As this guide assumes you are an individual taxpayer, the calculations and examples use Part 1 of the CGT Statement.

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. Tax return references in this guide relate to the 2011 Tax Return for Individuals (supplementary section).



Completing your tax return

The following information relates to your investment in the Vanguard® Investor Index Funds. If you had capital gains from any other investments during the year, you will need to combine the information from your other investments (taking into account other tax attributes e.g., losses) with the information provided by Vanguard when completing your tax return.

Your CGT statement details the capital gain or loss on each disposal transaction. Each disposal may consist of a number of parcels. The total units within the parcels used on a particular date should agree with the total number of units disposed on that date. For each parcel, the resulting capital gain or loss is reported as a **short gain**, **FICB gain**, **discount gain** or **capital loss**, as appropriate.

Calculating capital gains

To calculate your capital gains and complete Question 18 of the 2011 Tax return for individuals (supplementary section), you will need **Part 1** of your **CGT statement** and **Part B** of your **annual tax statement**.

The steps to calculate and report capital gains are illustrated in the following example for John (step 1), using the sample statements below. It is also assumed that these are John's only CGT events for the year.

Assistance with capital gains

The following steps and examples illustrate how to combine capital gains from your **CGT statement** and **annual tax statement**, and how to transfer the results to the 2011 Tax Return for Individuals (Supplementary section). After following these steps, should you have trouble completing your CGT calculations, please consult the ATO publication "Guide to Capital Gains Tax 2011" (NAT4151-6.2011) or see your professional tax adviser.

Capital Gains Tax (CGT) statement example

Part A : Individual unit holder – CGT position

The following CGT items are valid for Australian Resident Individual taxpayers only.

	Column 1	Column 2	Column 3	Column 4	Column 5		
Date of Disposal	Number of Units	Amount Received	Short Gains	FICB Gains	Discount Gains	CGT Concession Amount	Capital Loss
Vanguard® Index Australian Shares Fund							
12 July 2010	500	\$800.00	\$0.00	\$590.00	\$300.00	\$300.00	\$0.00
20 July 2010	500	\$750.00	\$200.00	\$0.00	\$0.00	\$0.00	\$0.00
9 May 2011	1,200	\$1,800.00	n/a	n/a	n/a	n/a	\$105.00
Total			\$200.00	N/A	N/A	N/A	\$105.00

Annual Tax Statement

Part B : Components of distributions

Capital gains	Cash Distributions	Tax Paid/ Offset	Taxable Income
Discount capital gain TAP	\$150.00		\$150.00
Discount capital gain NTAP	\$130.00		\$130.00
CGT concession amount	\$290.00		\$0.00
Capital gains - other method TAP	\$80.00		\$80.00
Capital gains - other method NTAP	\$70.00		\$70.00
Distributed capital gains	\$720.00		
Net capital gain			\$430.00

TAP = Taxable Australian Property. NTAP = Non Taxable Australian Property.

Step 3 - Apply capital losses & CGT discount

From Step 2, you now have total amounts for each type of capital gains – other gains, indexed gains and discount gains. If you had capital losses in the current year or capital losses carried forward from previous years, you are able to offset the capital losses against the capital gains (calculated in Step 2) at this step.

Net capital loss

If your current year capital losses and capital losses carried forward from previous years are greater than the total current year capital gains calculated in Step 2, the resulting net capital loss will be carried forward to later income years and is recorded at **label 18V** in your tax return.

John's example C – net capital loss:

Besides the current year capital losses of \$105 from the disposal on 9 May 2011, assume John also has capital losses carried forward from previous years of \$2,500. As John's total capital losses (\$2,605) are greater than his current year capital gains (\$1,510), John has a net capital loss. John's net capital loss is calculated as follows:

Total current year capital gains (from step 2)	\$1,510
Offset current year capital losses*	(\$105)
Remaining current year capital gains	\$1,405
Offset capital losses carried forward from previous years	(\$2,500)
Net capital losses carried forward	(\$1,095)

John records net capital losses of **\$1,095*** at **label 18V** of his tax return.

* Current year capital losses must be offset against current year capital gains before applying capital losses carried forward from previous years.

18 Capital gains	Did you have a capital gains tax event during the year?	G NO <input type="checkbox"/>	YES <input type="checkbox"/>	You must print <input checked="" type="checkbox"/> in the YES box at G if you received a distribution of a capital gain from a trust.
	Did this CGT event relate to a forestry managed investment scheme interest that you held other than as an initial participant?	Q NO <input type="checkbox"/>	YES <input type="checkbox"/>	
	Total current year capital gains	H <input type="text"/>	<input type="text"/>	<input type="text"/>
	Net capital losses carried forward to later income years	V <input type="text"/>	<input type="text"/>	<input type="text"/>
			Net capital gain	A <input type="text"/>



Net capital gain

If your current year capital losses and capital losses carried forward from previous years are less than the total current year capital gains calculated in Step 2, any capital gains remaining will be recorded at **label 18A** in your tax return, after applying the CGT discount to any remaining **discount gains**.

John's example D – net capital gain:

Besides the current year capital losses of \$105 from the disposal on 9 May 2011, assume John also has capital losses carried forward from previous years of \$1,000. As John's total capital losses (\$1,105) are less than his current year capital gains (\$1,510), John has a net capital gain. Assume that John chooses to offset his capital losses against **other gains** first, before offsetting the remaining losses against **discount gains**. John's net capital gain is calculated as follows:

Total other gains (from step 2)	\$350
Offset current year capital losses*	(\$105)
Remaining other gains	\$245
Offset capital losses carried forward from previous years	(\$245)
Remaining other gains	\$0
<hr/>	
Total discount gains (from step 2)	\$1,160
Offset remaining capital losses carried forward from previous years (\$1,000 minus \$245)	(\$755)
Net capital gain before CGT discount	\$405
Less: CGT discount [†]	(\$202.50)
Net capital gain	\$202.50

John will record **\$202**[#] at **label 18A** of his tax return.

* Current year capital losses must be offset against current year capital gains before applying capital losses carried forward from previous years.

[†] 50% CGT discount for Australian resident individual taxpayers.

[#] Cents not included.

18 Capital gains	Did you have a capital gains tax event during the year?	G NO <input type="checkbox"/>	YES <input type="checkbox"/>	You must print <input checked="" type="checkbox"/> in the YES box at G if you received a distribution of a capital gain from a trust.
	Did this CGT event relate to a forestry managed investment scheme interest that you held other than as an initial participant?	Q NO <input type="checkbox"/>	YES <input type="checkbox"/>	
	Total current year capital gains	H <input type="text"/>	<input type="text"/>	<input type="text"/>
	Net capital losses carried forward to later income years	V <input type="text"/>	<input type="text"/>	<input type="text"/>
	Net capital gain	A <input type="text"/>	<input type="text"/>	<input type="text"/>

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