

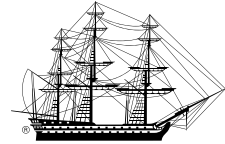
Guide to your Annual Tax Statement

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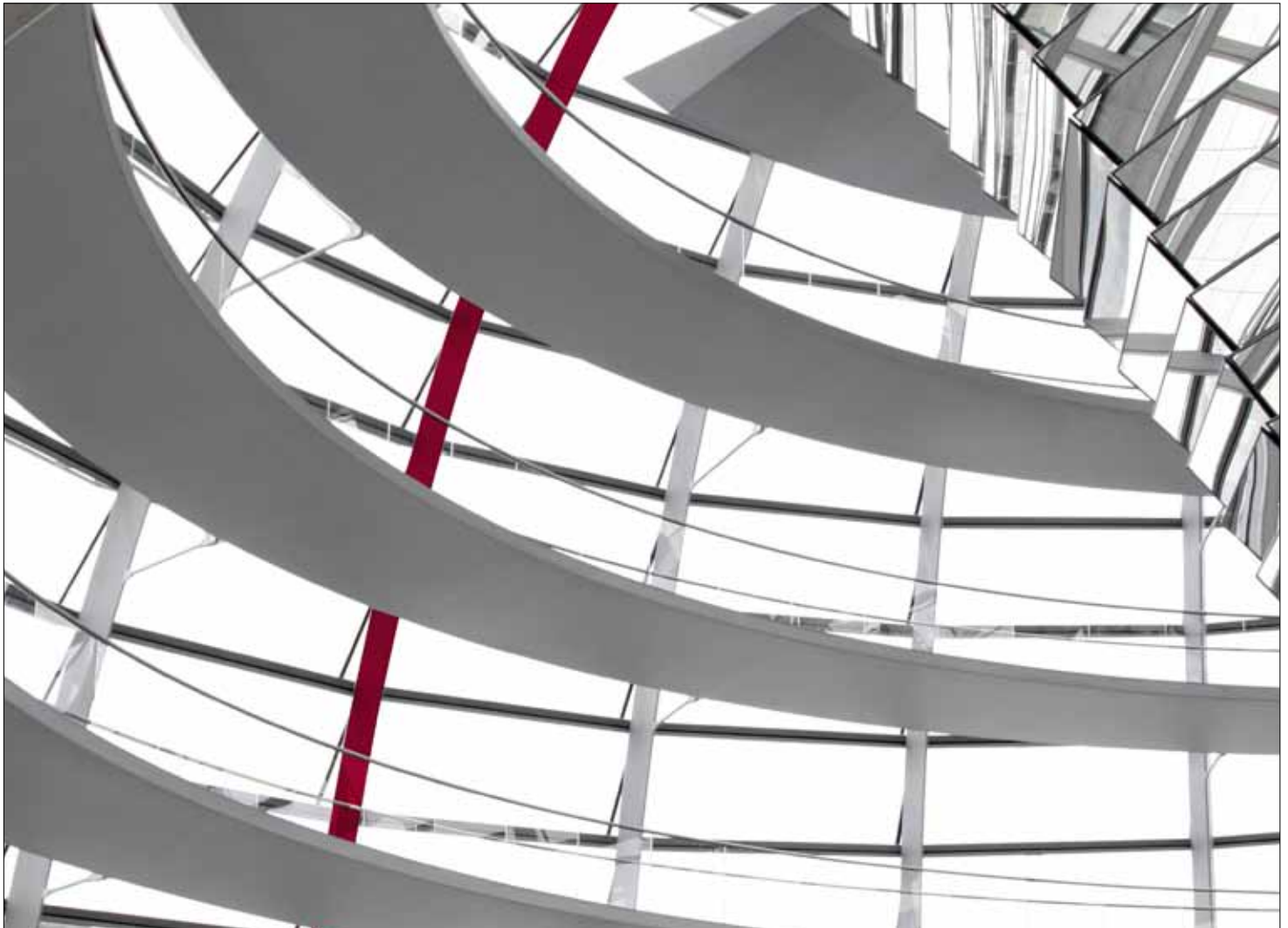
This guide aims to assist individual taxpayers in completing their tax return for the 2010/11 income tax year. It contains basic information about the treatment of your income distributions as shown in your annual tax statement.

Importantly, the guide is not a substitute for 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®





Foreign Income

The foreign source income shown in Part A of your annual tax 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 2010-11" (NAT 72923.2011).

Foreign Income (example 2)

Part A - Summary of 2011 Tax Return (Supplementary section) items

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

	Amount	Tax Return Label
Assessable foreign source income	\$220,981.31	20E
Australian franking credits from a New Zealand company	\$0.00	20F
Other net foreign income source	\$220,981.31	20M
Foreign income tax offsets	\$31,615.00	20O

20 Foreign source income and foreign assets or property

Assessable foreign source income **E** LOSS

Other net foreign employment income **T** LOSS

Net foreign pension or annuity income WITHOUT an undeducted purchase price **L** LOSS

Net foreign pension or annuity income WITH an undeducted purchase price **D** LOSS

Net foreign rent **R** LOSS

Other net foreign source income **M** LOSS

Australian franking credits from a New Zealand company **F** LOSS

Net foreign employment income – payment summary **U** LOSS

Exempt foreign employment income **N** LOSS

Foreign income tax offset **O** LOSS

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? **P** NO YES



Capital Gains

The capital gains shown in Part A of your annual tax 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?

You will need to combine the capital gains information from your capital gains tax statement with the capital gains information from your annual tax statement in completing Question 18 of your tax return. 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.

Capital Gains (example 3)

Part A - Summary of 2011 Tax Return (Supplementary section) items

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

	Amount	Tax Return Label
Total current year capital gains	\$4,347,881.64	18H
Net capital gain	\$2,173,940.82	18A

18 Capital gains Did you have a capital gains tax event during the year? **G** NO YES You must print 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 YES

Net capital gain **A** .00

Total current year capital gains **H** .00

Net capital losses carried forward to later income years **V** .00

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:

- 2011 TaxPack;
- 2011 TaxPack Supplement;
- You and your shares 2011 (NAT 2632-6.2011);
- Guide to foreign income tax offset rules 2010-11 (NAT 72923.2011); and
- Personal investors guide to capital gains tax 2011 (NAT 4152-6.2011).

These publications are available for download from Vanguard's 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 source or foreign source.

The funds are structured as unit trusts 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 tax statement**. The components of the distributions you received are detailed in **Part B** of your **annual tax 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 tax 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 CGT concession amounts not equal?

The funds are eligible for the 50 per cent CGT concession on shares held for 12 months or more. 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 tax 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.



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