

## Tax Help for DIY Investors in Foreign Investment Funds

With the July 7 tax deadline looming, Wellington company Sharesight has developed an online process that automatically produces a Foreign Investment Fund (FIF) income calculation under both the Fair Dividend Rate (FDR) and Comparative Value (CV) methods for investors who own Australian shares.

Sharesight managing director Tony Ryburn said that although the basics of the FIF tax regime seem relatively straight forward, there is considerable underlying complexity. “We soon realised that the range of information FIF investors need to complete their tax return is mind-boggling”.

Mr Ryburn believes that many DIY investors are likely to waste a lot of time working out their FIF income for tax purposes and still not get it right. He believes many will be forced to seek expensive specialist assistance which may be hard to find.

Generally investors are exempt from the new rules if the cost price of their offshore investments is less than \$50,000, but Mr Ryburn said that working out whether you are exempt can be a complex task in itself if there have been multiple trades of a particular shareholding. Share splits and bonus issues add further complication. An exemption applies to some Australian shares, but the rules surrounding exactly which shares are exempt are complicated and unclear.

Investors who are subject to the new rules have two main methods available for determining their taxable income. Under FDR tax is paid on 5% of the opening market value of their portfolio, but there is a potentially complex “quick sale” adjustment required for shares which are bought and sold within the same income year. Under the CV method tax is paid on the total gain (including dividends) throughout the year.

Mr Ryburn says once a portfolio has been entered in Sharesight the user is provided with a sophisticated, yet easy to follow report that calculates their taxable FIF income using the FDR and CV methods. The full range of other Sharesight services is then also available.

Mr Ryburn says that it only takes a few minutes to enter a portfolio of shares into Sharesight because most of the required data is entered automatically from a comprehensive database of historic share prices, exchange rates, dividend payouts, and capital reconstruction events.

Sharesight helps all subscribers, including free trial users, to determine whether they will be subject to the new FIF taxation regime. A detailed FIF income report under the FDR and CV methods is available to subscribers on Sharesight’s Expert plan.

Sharesight provides its online software via its website [www.sharesight.co.nz](http://www.sharesight.co.nz).

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