NatWest Invest

Excess Reportable Income

Personal Portfolio funds don't pay any income so why do I need to pay income tax?

Investment funds based in the UK are generally required to pay out the income that they earn to investors but funds based outside the UK are not subject to this requirement.

Funds based outside the UK can opt for an 'Offshore Reporting Fund' status, disclosing the income that they have accrued during each financial year to HMRC.

Personal Portfolio Funds are based in Ireland and have opted for 'Offshore Reporting Fund' status. This means that any gain realised on disposal is subject to capital gains tax and not income tax.

Any income earned by an Offshore Reporting Fund which is not paid out to investors is commonly referred to as 'Excess Reportable Income'.

UK investors in an Offshore Reporting Fund are liable to pay tax on any income distributed and any Excess Reportable Income. The government has put these rules in place to align the tax treatment of non-UK based funds to that of UK based funds.

Who does Excess Reportable Income affect?

Excess Reportable Income is generally relevant for all UK tax residents who invest in Offshore Reporting Funds outside an ISA or pension.

Each tax year you will receive a Tax Certificate which shows the income attributable to you, this includes any Excess Reportable Income.

When should I declare Excess Reportable Income and what dates should I use?

If you hold the investment on the last day of the fund's reporting period, for Personal Portfolio Funds this is 30 November each year, then you will be subject to tax on the Excess Reportable Income.

Excess Reportable Income is 'deemed' to be paid to investors six months after the end of the reporting period. This is the date that the income is treated as being earned for UK Tax purposes.

For the Personal Portfolio Funds the deemed distribution date is 31 May each year.

For example, a UK resident investor that holds a Personal Portfolio Fund investment on 30 November 2018 will be deemed to receive an Excess Reportable Income distribution on 31 May 2019, and this should be included in their 2019/20 tax return.

How does Excess Reportable Income affect my Capital Gains?

Profits on the sale of Offshore Reporting Funds may be subject to Capital Gains Tax. Excess Reportable Income that you've paid Income Tax on should generally be added to the initial cost of the investment when calculating the profit that will subject to Capital Gains Tax. This reduces the amount that is subject to Capital Gains Tax.

You will be required to calculate the gain/loss on the sale of an investment (if held outside of an ISA) and meet any tax filing obligations you may have. This will **not** be included on your Tax Certificate.

Set out below is an example of how to calculate your costs.

Capital Gains – Costs	
Purchase Price (can be found on your online portal)	£500
Excess Reportable Income Taxable Distribution (this is the amount included on your Tax Certificate)	£70
Adjusted Cost	**£570**

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Where can I find further information?

For further information about Excess Reportable Income please visit the Equator ICAV prospectus, which can be found on www.coutts.com/ppf, or visit www.gov.uk. If you are still unsure of the tax implications of Excess Reportable Income, or Offshore Reporting Funds in general, we recommend that you seek professional tax advice.

IMPORTANT INFORMATION

The information provided in this document is based on our understanding of the laws and regulations as at the date of publication but it is not exhaustive and does not constitute legal or tax advice. You should consult your tax adviser to ensure the information is relevant to your facts and circumstances. Please note, the tax treatment of Offshore Reporting Funds may change at any time.

June 2019 NW 001